STATEMENT OF ACCOUNTS

2024/25

UNAUDITED VERSION

Clive Palfreyman
Strategic Director of Resources

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Disclosure Notes to the Accounts

Narrative Report 2024/25

Southwark Council

Introduction

This narrative report provides information about Southwark Council and presents key information from its statement of accounts for the period 2024/25. It complies with Regulation 8 of the Accounts and Audit Regulations 2015 which require that this narrative includes a comment on the council's financial performance and the economy, efficiency, and effectiveness of the use of its resources in 2024/25.

The CIPFA Code of Practice states that the narrative report should provide information on the authority's main objectives and strategies; the principal risks that it faces; and the use of its resources to achieve outcomes in line with its objectives and strategies.

An Introduction to Southwark

Southwark is a dynamic borough in the centre of London, home to some of the country's foremost artistic institutions, most vibrant communities, and iconic architecture. It extends from the River Thames down to Crystal Palace in South London. The north of the borough is situated along the River Thames and boasts Shakespeare's Globe, Borough Market, The Shard, the Tate Modern and the medieval Southwark Cathedral, and is home to some of the UK's biggest businesses. Further south the borough's diverse urban communities are by punctuated by parks and commons and include educational establishments such as Camberwell College of Arts.

There is a vibrant cultural and arts scene boasting some of the nation's cherished theatres including Shakespeare's Globe, the Bridge Theatre and the Unicorn Theatre. The historical Borough Market is nestled in Dickensian cobbled streets, under the shadow of London's tallest building, The Shard. Bankside on the River Thames plays host to the Tate Modern art gallery and the medieval Southwark Cathedral which dates back to the year 1106, while one of the world's leading contemporary art galleries, White Cube, is located in Bermondsey. Educational establishments include Camberwell College of Arts, a constituent college of the University of the Arts London, regarded as one of the UK's foremost art and design institutions.

The borough has a rich mix of employers across construction, health and social care, retail, catering, hospitality, public sector and administration, finance and legal. 18,000 businesses are based here employing 302,000 people, generating £20bn in economic value every year.

As at the 2021 census Southwark has the 7th highest population density in England and Wales, with a population count of 307,600, up from 288,300 in 2011. It is young and diverse: over 120 languages are spoken in local schools; 66% of the population under 20 years old; and 75% of reception-age children are from black and minority ethnic groups.

Organisational Overview

The council delivers a very wide range of services including housing, education, adult and children's social care, waste management, planning, public health, leisure centres, parks, libraries, and community safety. Central HR and finance teams support ambitious service delivery and provide transparent statutory reporting to the government and the wider public.

The council operates under a Leader and Cabinet model with a Council Assembly that elects the Leader and sets the annual budget. Information about Southwark's governance arrangements can be found in the Annual Governance Statement published on the council's website. A total of 5,385 staff were employed as at 31 March 2025 (including permanent and fixed-term staff) to deliver the council's services (5,196 as at 31 March 2024). We are an accredited Living Wage employer, we hold the Mayor of London's Good Work standard, and we participate in a number of schemes designed to promote an inclusive working environment, including Disability Confident and Stonewall's Diversity Champions. Our Southwark Stands Together programme is focused on tackling racial disparities within our workforce and promoting anti-racist practice.

The council's General Fund (non-social rent services) is funded primarily by specific and general government grants, such as the Social Care Support Grant and the Revenue Support Grant respectively, accounting for nearly two thirds of funding. The other major funding sources are council tax, business rates, and fees and charges. The Housing Revenue Account is funded exclusively by social rents and service charges. The council operates a pension fund which provides defined benefits to retired employees.

External Environment

The council delivers both statutory and discretionary services which are often demand led and are influenced by the general state of the economy, the availability of funding, and often mandated by government legislation. Its capital programme to fund long-term projects is especially sensitive to external economic conditions.

The economic outlook for 2024/25 has improved compared to previous years. The Bank of England base interest rate fell from 5.25% to 4.50% while CPI inflation rose from 2.3% to 2.6% with some fluctuations. These metrics affect the council's costs of borrowing money for capital projects, its return on invested cash balances, and the uplifts in costs for contracted services.

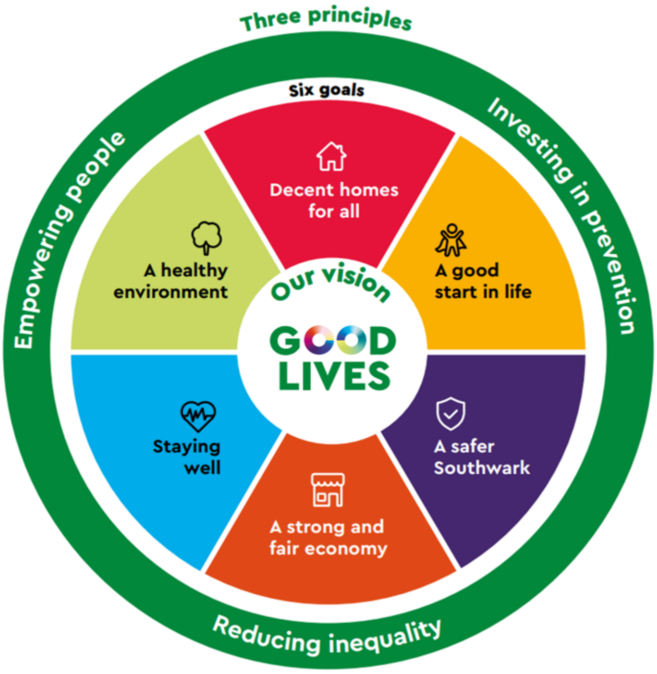
Despite some easing of economic pressures, many Southwark residents continued to experience hardship after significant increases in rents and the cost of necessities in the last few years. Southwark has continued to respond to these challenges by supporting households with emergency payments, but the need for more social and temporary accommodation has never been higher.

Local government funding continued to be uncertain with another single-year settlement for 2024/25. The new government has committed to multi-year settlements, which will provide local authorities with more certainty so they can plan sustainable budgets for the years ahead. However, many English councils are in financial difficulty and Southwark is similarly affected by pressures on social housing maintenance, temporary accommodation, and the cost of capital projects.

This is in the context of reduced funding for local government. Real terms core spending power for Southwark has fallen by 23% since 2010-11, with the only increases coming during the Covid-19 pandemic and afterwards. Southwark therefore must work hard to create the best value for money for its residents to be able to deliver its Southwark 2030 strategy.

Priorities and Resource Allocation

In November 2024 Southwark announced its new shared Good Lives vision for the borough until 2030 for building a fair, green, and safe place where everyone can live a good life as part of a strong community. Guided by three principles, to empower people, invest in prevention, and reduce inequality, the council will build its services for the next five years around six goals as part of the Southwark 2030 strategy. The Annual Governance Statement includes details of how the Council Delivery Plan will achieve 2030 goals.



How council priorities are funded is managed through the medium-term financial strategy (MTFS) and annual budgets. The council must set a balanced budget each year by law but it can find ways to save money through efficiencies and new service delivery methods and can utilise its reserves (savings) which have been built up over time through prudent financial management.

At the beginning of each financial year the council plans ahead over a three-year period through the MTFS. As a starting point, estimated changes in income streams are assessed together with expected pay awards, inflationary costs, debt charges and demand pressures, recognising that the external economic environment will impact on the council's financial plans. The gap between the overall resources and expected expenditure for services is then assessed and both capital and revenue budgets are integrated to create a coherent plan of action, closely aligned to Southwark 2030 priorities and plans.

Governance and Risks

The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The council's governance arrangements are reviewed annually and within the Annual Governance Statement (AGS) assurance is given on the effectiveness of the council's system of internal control. Despite national challenges around local government external audit all Southwark's statement of accounts before 2024-25 have been audited, helping to strengthen the assurance that the council is operating within legal and appropriate bounds.

The AGS also lists the principal risks and issues of the council. These cover the pressures around the delivery of the council's housing delivery programme, its major finance system replacement project, challenges in temporary accommodation, cyber security risks and more. These are managed in the council's risk register and are accompanied by mitigations, setting out the controls in place to manage each risk. This has proved effective in managing the unexpected risks over the last few years and enabled the council to boost its financial resilience.

Performance and Achievements

As the council enacts the Southwark 2030 Strategy progress will be measured against detailed performance schedules. Milestones are monitored on a quarterly basis through the year by the Corporate Management Team (CMT) and Cabinet Members. An annual performance report is published each year and for 2024/25 the outcomes will be presented to cabinet in the autumn.

Examples of the outcomes achieved in 2024/25 against the Southwark 2030 six goals are listed below.

Commitments	Outcomes
Decent homes for all	• Completed 581 council homes • Committed to investing £250m to improve our council homes. • Introduced repair action days which have delivered 800 repairs for our tenants. • Increased the proportion of private rented households that are covered by property licensing schemes to428%, requiring private landlords to meet higher standards. • Supported more than 150 people rough sleeping into long term homes.
A good start in life	• Over 67,000 meals provided to children aged 4-16 through the Holiday Food and Fun programme. • Over 20,000 visits to in-house youth centres and adventure play sites and more than 56,000 visits to externally provided youth activities. • 2,550 visits to the newly built sport pavilion in Burgess Park with free sport sessions provided through the Olympic-themed Move Games. • Major improvements have continued to progress in our town centres, including Walworth, Peckham, Canada Water, and Old Kent Road. • 320 free swimming lessons during the summer with 520 young people taking part.
A safer Southwark	• 570 cameras across town centres and public spaces are monitored 24/7 by our expert team to help keep people safe and support the police when needed. • Converted over 15,000 streetlights into LED lights, providing clearer, safer and greener lighting across the borough. • Engaged 398 young people with our Community Harm and Exploitation Hub, with 100% of young people who engaged with the Hub for six months not being convicted of an offence. • 25% of private rented homes. have been made compliant under Southwark's new five-year licensing scheme
A strong and fair economy	• Created over 500 green jobs in 24/25, surpassing our target of creating over 2,000 green jobs in total. • 2,552 individuals supported through our employment support programmes, surpassing the target of 2,500. • We created 1,785 apprenticeships for Southwark residents or employers. • 105 Southwark businesses became an accredited Living Wage Employer, resulting in 1,800 Southwark workers receiving a pay rise. • We have supported 21 Thriving High Streets Fund projects

Staying well	• Health Outreach Programme now includes 197 Health Ambassadors, and in 24/25 has supported 385 people with a Covid-19 vaccination, over 3,000 people with a Vital 5 health check, and 365 people with a flu vaccination. • Provided nearly 900 Rose Vouches to families on low incomes to help buy fresh fruit and vegetables. • Engaged over 1,800 adults with our drug and alcohol treatment and recovery services. • Developed and published our Maternity Commission through engagement with over 750 residents and healthcare professionals working in the borough. • Provided 14 care homes with air purifiers to improve air quality.
A healthy environment	• Provided cycle training to over 6,000 residents, including 3,057 children. • Planted 5,086 trees across the borough, including 1,250 mature trees and 3,836 young trees for hedges and copses in 2024, making it the first inner London borough to have over 100,000 trees. • Upgraded more than 750 boilers and provided low carbon heating systems for more than 1,300 homes. • 1,509 loans were made from the Library of Things over the course of 2024/25 and there were also 1,572 visits to the Barclays Banking hub.

Revenue Outturn

The council's finances are split into a number of ringfenced funds to manage different income and expenditure streams. The General Fund (GF) is the main revenue account relating to the provision of services. The Housing Revenue Account (HRA) is the landlord fund through which the council manages its housing stock. The Collection Fund (CF) collects council tax and business rates and makes a fixed contribution to the GF each year according to the budget requirement.

General Fund (GF)

For 2024/25, a GF net budget of £359.4m was approved by Council Assembly in February 2024. Council Assembly also agreed to a 4.99% increase in council tax (including 2.00% adult social care levy) and a contribution of £2.4m from reserves to support a balanced budget. The revenue outturn position is summarised below:

General Fund	**Budget £000**	**Actuals £000**	**Variance £000**	**Reserve Mvmnt £000**	**Variance after use of reserves £000**
Children and Adults	172,060	177,567	5,507	(5,428)	**79**
Integrated Health and Care	4,364	3,696	(668)	656	**(12)**
Environment, Sustainability and Leisure	116,184	110,308	(5,876)	5,704	**(172)**
Housing	28,906	42,020	13,114	(3,572)	**9,542**
Resources	50,841	49,725	(1,116)	(4,463)	**(5,579)**
Governance and Assurance	26,294	27,783	1,489	(1,377)	**112**
Strategy and Communities	8,233	10,797	2,564	(2,564)	**-**
Support Cost Reallocations	(49,053)	(49,053)	-	-	**-**
Contribution from Reserves	(2,430)	-	2,430	(2,400)	**30**
General Fund Services	**355,399**	**372,843**	**17,444**	**(13,444)**	**4,000**
General Contingency	4,000	-	(4,000)	-	**(4,000)**
Net revenue budget	**359,399**	**372,843**	**13,444**	**(13,444)**	**-**

Overall the financial performance of the general fund has been more challenging in 2024/25, after resilient performances in adverse conditions in previous years. The council overspent by £5.3m after planned use of reserves and contingency, requiring a matching unplanned reserve draw down to balance income and expenditure.

The council's primary area of overspend was temporary accommodation, a challenge faced by many local authorities due to national cost and demand pressures which are particularly severe in London. Another significant area of pressure was the increase in costs for nursing and homecare within the older people and physical disabilities service.

Housing Revenue Account (HRA)

The HRA revenue outturn for 2024/25 showed gross income of £356.6m, primarily from tenant rents and service charges, homeowner charges, commercial property, and garages. Gross expenditure was £352.7.2m, made up of tenant facing services £162.4m, corporate support services £69.3m, and capital financing £121.1m. The favourable balance of £3.9m was transferred to reserves. While there were pressures on Landlord Services, Repairs and Maintenance, and Customer Services, income from tenant and non-residential charges exceeded budget, which allowed the HRA to make a bigger contribution to capital projects and reduce its need to borrow money.

Collection Fund

The CF records the transactions of the council as a billing authority in relation to council tax and business rates. Both taxation schemes are designed to be self-balancing. An estimate of any accumulated surplus or deficit is made each January and factored into the following year's tax requirement. Any difference between this estimated outturn and the actual end of year outturn (March) will be received or borne by taxpayers in the year following but one.

Income raised from Council Tax is the single largest source of general funding for the council's net revenue budget. In 2024/25 the Council collected £201m in Council Tax, of which £53m was collected on behalf of the Greater London Authority (GLA). The Council Tax for a Band D property (including the GLA precept) was £1,792.98 in 2024/25. The council's collection rate for 2024-25 was 93.6% for council tax and 95.86% for business rates.

Capital

Southwark's capital programme is immense, representing a major element of the council's financial activities. It has a significant and very visible impact on the borough. There are two major programme streams, the General Fund Capital Programme and the Housing Investment Programme (HIP) which sits within the HRA.

The GF programme delivers tangible benefits to the borough's residents over the long term and allows the council to fulfil its priorities and mandates. Commitments include creating and improving care homes, including for children; repurposing schools for the future; redeveloping some of the borough's most distinct landmarks such as Walworth Town Hall; addressing the council's Climate Action Plan in order to meet our ambitious net zero target and create a greener borough for all; flagship regeneration schemes which provide communities with new facilities such as libraries, health centres, and leisure centres; and the important schools refurbishment programme and SEND capital strategy, ensuring that children get the education they deserve. The programme plans to spend £485m during the period 2024/25 to 2033/34 of which £344m will be funded by borrowing.

General Fund and HRA capital spending and financing in 2024/25 is shown in the following table. Forecasts over the whole life of the programme are presented to Cabinet.

	2024/25 £000	2023/24 £000
Service capital expenditure:		
Children's and adults' services (incl schools)	23,566	29,470
Environment, Neighbourhoods and Growth	62,993	54,144
Resources	9,614	6,619
Governance and Assurance	4,211	6,635
Housing	1,901	2,108
Total GF spending	**102,285**	**98,976**
Housing Investment Programme:		
Asset Management	65,598	108,744
New build and acquisitions	134,883	216,826
Other programmes	2,494	5,639
Total HIP spending	**202,975**	**331,209**
Total spending	**305,260**	**430,185**
Financed by:		
Capital receipts	(51,729)	(25,650)
Government grants and other contributions	(47,214)	(94,572)
Direct revenue contributions	(46,300)	(5,834)
Major repairs reserve (HIP)	(46,444)	(46,857)
Prudential borrowing and credit arrangements	(113,573)	(257,272)
Total financing	**(305,260)**	**(430,185)**

The Housing Investment Programme (HIP) comprises two strands. The New Build programme covers the council's commitment to delivering new council homes and the Asset Management programme provides for the proper maintenance of existing homes (in particular around safety standards). The scale of the HIP programme is significant, with £1.3bn planned for 2024/25 to 2032/33. This comprises £549m for new homes, £727m for asset management and £6m for other initiatives.

Recent changes in the legislative, regulatory and policy environment have added significant costs to an already ambitious Asset Management programme without any additional funding from government. The HIP has an annual budget of £60m- £70m to undertake capital works to its stock and spend in 2024/25 was contained within this envelope. However, meeting building safety requirements will require spend above this level over the coming years, and the aim is to meet the funding gap through the generation of additional capital receipts to minimise the need for borrowing.

Reserves

The council maintains reserves (savings) to help smooth the impact of government funding changes, to manage risks, and to fund council priorities and service transformation.

The GF reserve is set aside to mitigate and manage financial shocks and is a key financial resilience indicator. This remains at £22.4m which is approximately 2% of gross general fund revenue expenditure. Earmarked reserves were utilised this year for a range of projects to the tune of £13.9m, bringing the balance to £231m.

In accordance with regulations, the deficit on the Dedicated Schools Grant reserve is being paid down through Safety Valve contributions. The unusable reserve (deficit) remains at £21.7m while the usable reserve (the contributions) balance is 15.9m after in-year contributions of £2.9m, leaving a net accumulated deficit of £5.8m.

The HRA balance stands at £20.8m (£16.9m at 31 March 2024). Due to service transformation activities the HRA was able to contribute £3.9m to reserves during 2024/25.

Borrowing and Lending

The council borrows money to support its ambitious capital programme, refinance maturing loans and to maintain target cash balances. As at 31 March 2025, actual total borrowings held by the council was £1,159m (£1,085m at 31 March 2024), all of which was long-term PWLB and MEEF loans (£1,020m at 31 March 2024). There were no short-term loans from other local authorities (£65m at 31 March 2024).

In accordance with IFRS 9 financial reporting requirements, long-term loans at amortised cost amounted to £1,169m at 31 March 2025 (£967m at 31 March 2024). This reflects accounting adjustments for accrued interest of £9m (£11m in 2023/24) and loans due for repayment within one year after the reporting period of £43m (£63m in 2023/24), which are included in short-term loans of £52m (£129m in 2023/24) in note 39 to the accounts.

The timing of long-term borrowing needs to be weighed against the risk that interest rates will increase in the future with a view to keeping future interest rate costs low. During 2024/25, in accordance with the approved treasury management strategy, the council increased its overall borrowings by £74m (Long-term loans of £193m raised with £54m repaid, and short-term loans of £95m raised from other local authorities with £160m repaid). The weighted average rate of long-term borrowings was 3.84%.

The council invests its surplus cash in short term money market funds and the Debt Management Account Deposit Fund that offer daily liquidity. As at 31 March 2025, investments stood at £53m (£63m at 31 March 2024). The overall weighted rate of return on investments during 2024-25 was 4.80% (4.43% in 2023-24).

Pension Fund

The Pension Fund is underpinned by an investment strategy which was updated in December 2022. A revaluation is required every three years to set future contribution rates. The last valuation, as at 31 March 2022, showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund’s assets as at 31 March 2022 covering 109% of the liabilities. Contribution rates certified in the 2022 valuation are applicable for three years from 1 April 2023. The 2025 valuation is currently underway and the outcome will determine contribution rates from 1 April 2026.

A review of the Fund’s investment strategy will be carried out in late 2025. This will ensure that the strategy is both resilient to market volatility but also reflects the Government’s expectation that the Fund’s assets are pooled, with the Pension Fund assets of the other London Boroughs, in the London Collective Investment Vehicle (LCIV).

During 2024/25 there was notable market volatility, driven by geopolitical issues following the US general election and ongoing pessimism over the outlook for global GDP. While the Fund’s investments generated a positive return during the year, this was significantly below the previous year’s return. However, the Fund is a long-term investor and performance over the medium and longer term remains strong and well ahead of long-term target returns.

The council has committed to reduce carbon exposure in the Fund’s investments and become net zero carbon by 2030, whilst still maintaining investment performance. Further progress was made during 2024/25 to achieve this.

Explanation of Accounting Statements

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2015. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code). Under the Code, local authorities produce accounts that are compliant with International Financial Reporting Standards (IFRS).

Core financial statements

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

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

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

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

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

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

Supplementary financial statements

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

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

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

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council that officer is the Strategic Director of Resources;

- manage its affairs to secure economic, efficient and effective use of resources, and safeguard its assets; and

- approve the Statement of Accounts.

The Strategic Director of Resources' responsibilities

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

In preparing these Statements of Accounts, the Strategic Director of Resources has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code

The Strategic Director of Resources has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts presents a true and fair view of the financial position of Southwark Council as at 31 March 2025 and its income and expenditure for the financial year ended 31 March 2025.

Signature:

Clive Palfreyman
Strategic Director of Resources

Date: **27 June 2025**

Signature:

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

Date: **November 2025**

INDEPENDENT AUDITOR'S REPORT

2024/25

To be added on completion of the audit

CORE FINANCIAL STATEMENTTS

2024/25

Comprehensive Income and Expenditure Statement

Movement in Reserves Statement

Balance Sheet

Cash Flow Statement

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes			2024/25			2023/24
		Gross Expend £000	Gross Income £000	Net Expend £000	Gross Expend £000	Gross Income £000	Net Expend £000
Children and Adults		594,118	(427,238)	166,880	560,568	(411,597)	148,971
Environment, Sustainability and Liesure		169,217	(85,774)	83,443	148,604	(74,734)	73,870
Resources*		294,588	(188,760)	105,828	342,130	(194,680)	147,450
Governance and Assurance		28,644	(2,528)	26,116	26,427	(1,753)	24,674
Strategy and Communities		10,728	(215)	10,513	9,033	(435)	8,598
Housing GF		82,041	(42,018)	40,023	59,302	(37,706)	21,596
Integrated Health and Care		13,324	(10,003)	3,321	-	-	-
Housing Revenue Account (HRA)		365,157	(349,310)	15,847	430,612	(307,392)	123,220
Net cost of services		**1,557,817**	**(1,105,846)**	**451,971**	**1,576,676**	**(1,028,297)**	**548,379**
Other Operating Income and Expenditure	8			(25,904)			(1,258)
Financing and Investment Income and Expenditure	9			56,859			82,414
Taxation and Non-Specific Grant Income and Expenditure	10			(486,303)			(457,246)
(Surplus)/Deficit on Provision of Services				**(3,377)**			**172,289**
(Surplus)/deficit on revaluation of non current assets	23			(55,727)			(73,243)
(Surplus) / deficit on financial assets measured at fair value through other comprehensive income	39			(236)			473
Remeasurement of the net defined benefit liability	23			8,649			7,176
Other Comprehensive Income and Expenditure				**(47,314)**			**(65,594)**
Total Comprehensive Income and Expenditure				**(50,691)**			**106,695**

The accompanying notes form an integral part of financial statement.

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

MOVEMENT IN RESERVES STATEMENT

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

MOVEMENT IN RESERVES 2024/25

	General Fund Balances											
	General Fund Balance	Earmarked General Fund Reserves	Schools Balances Reserves	Dedicated Schools Grant Reserves	Total General Fund (GF) Balance	Housing Revenue Account (HRA) Balance	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves (Note 23)	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2023	**(22,443)**	**(212,490)**	**(13,668)**	**(7,184)**	**(255,785)**	**(19,458)**	**-**	**(100,726)**	**-**	**(375,969)**	**(4,337,026)**	**(4,712,995)**
Movement in reserves during 2023/24												
(Surplus)/deficit on the provision of services	112,524	-	-	-	**112,524**	59,765	-	-	-	**172,289**	-	**172,289**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**	(65,594)	**(65,594)**
Total Comprehensive Income and Expenditure	**112,524**	**-**	**-**	**-**	**112,524**	**59,765**	**-**	**-**	**-**	**172,289**	**(65,594)**	**106,695**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(151,970)	-	-	-	**(151,970)**	(57,228)	-	(1,780)	(19,706)	**(230,684)**	230,684	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**(39,446)**	**-**	**-**	**-**	**(39,446)**	**2,537**	**-**	**(1,780)**	**(19,706)**	**(58,395)**	**165,090**	**106,695**
Transfers (to)/from earmarked reserves	39,446	(32,302)	(1,391)	(5,753)	**-**	-	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**-**	**(32,302)**	**(1,391)**	**(5,753)**	**(39,446)**	**2,537**	**-**	**(1,780)**	**(19,706)**	**(58,395)**	**165,090**	**106,695**
Balance as at 31 March 2024	**(22,443)**	**(244,792)**	**(15,059)**	**(12,937)**	**(295,231)**	**(16,921)**	**-**	**(102,506)**	**(19,706)**	**(434,364)**	**(4,171,936)**	**(4,606,300)**
Balance as at 1 April 2024	**(22,443)**	**(244,792)**	**(15,059)**	**(12,937)**	**(295,231)**	**(16,921)**	**-**	**(102,506)**	**(19,706)**	**(434,364)**	**(4,171,936)**	**(4,606,300)**
Movement in reserves during 2024/25												
(Surplus)/deficit on the provision of services	5,232	-	-	-	**5,232**	(8,609)	-	-	-	**(3,377)**	-	**(3,377)**
Other Comprehensive Income and Expenditure	-	-	-	-	**-**	-	-	-	-	**-**	(47,314)	**(47,314)**
Total Comprehensive Income and Expenditure	**5,232**	**-**	**-**	**-**	**5,232**	**(8,609)**	**-**	**-**	**-**	**(3,377)**	**(47,314)**	**(50,691)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	5,802	-	-	-	**5,802**	4,672	-	94	(76,265)	**(65,697)**	65,697	**-**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**11,034**	**-**	**-**	**-**	**11,034**	**(3,937)**	**-**	**94**	**(76,265)**	**(69,074)**	**18,383**	**(50,691)**
Transfers (to)/from earmarked reserves	(11,034)	13,928	6	(2,928)	**(28)**	28	-	-	-	**-**	-	**-**
(Increase)/Decrease in Year	**-**	**13,928**	**6**	**(2,928)**	**11,006**	**(3,909)**	**-**	**94**	**(76,265)**	**(69,074)**	**18,383**	**(50,691)**
Balance as at 31 March 2025	**(22,443)**	**(230,864)**	**(15,053)**	**(15,865)**	**(284,225)**	**(20,830)**	**-**	**(102,412)**	**(95,971)**	**(503,438)**	**(4,153,553)**	**(4,656,991)**

The accompanying notes form an integral part of financial statement.

BALANCE SHEET

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

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

	Notes	31 March 2025	31 March 2024
		£000	£000
Property, plant and equipment	13	5,720,347	5,621,077
Heritage assets		1,223	1,223
Investment property	14	302,981	290,176
Long-term investments	39	200	11,304
Long-term debtors	17	33,172	30,887
Pension assets	38	48	62
Long Term Assets		**6,057,971**	**5,954,729**
Short-term investments	39	-	17,201
Inventories	15b	3,730	12,004
Short-term debtors	17	166,396	171,207
Assets held for sale	15a	7,798	18,972
Cash and cash equivalents	16	55,339	38,497
Current Assets		**233,263**	**257,881**
Short-term borrowing	39	(52,289)	(129,544)
Short-term creditors	18	(239,238)	(244,959)
Short-term provisions	19	(7,803)	(5,924)
Grants receipts in advance	21	(135,495)	(174,007)
Bank overdraft	16	(4,482)	(3,967)
Current Liabilities		**(439,307)**	**(558,401)**
Long-term creditors	18	(416)	(6,175)
Long-term provisions	19	(11,892)	(8,964)
Long-term borrowing	39	(1,116,497)	(966,894)
Other long-term liabilities	36	(66,131)	(65,876)
Long Term Liabilities		**(1,194,936)**	**(1,047,909)**
Net Assets		**4,656,991**	**4,606,300**
Usable reserves	12	(503,438)	(434,364)
Unusable reserves	23	(4,153,553)	(4,171,936)
Total Reserves		**(4,656,991)**	**(4,606,300)**

The accompanying notes form an integral part of financial statement.

CASH FLOW STATEMENT

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

	Notes	2024/25	2023/24
		£000	£000
Net surplus or (deficit) on the provision of services		3,377	(172,289)
Adjustment to surplus or (deficit) on the provision of services for non cash movements	24	301,634	379,073
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	24	(183,144)	(141,708)
Net cash flows from operating activities		**121,867**	**65,076**
Net cash flows from investing activities	25	(152,729)	(226,216)
Net cash flows from financing activities	26	47,189	91,007
Net increase or (decrease) in cash and cash equivalents		**16,327**	**(70,133)**
Cash and cash equivalents at the beginning of the reporting period	16	34,530	104,663
Cash and cash equivalents at the end of the reporting period		**50,857**	**34,530**

The accompanying notes form an integral part of financial statement.

DISCLOSURE NOTES TO THE ACCOUNTS

2024/25

Note 1. EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis	**2024/25**					**2023/24**				
	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement	As reported for resource management (Narrative report)	Adjustment to arrive at the net amount chargeable to the General Fund and HRA balances	Net expenditure chargeable to the General Fund and HRA balances	Adjustments between funding and accounting basis (Note 7)	Net expenditure in the Comprehensive Income and Expenditure Statement
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children and Adults (including dedicated schools grant)	172,139	(13,597)	**158,542**	8,338	**166,880**	175,239	(28,453)	**146,786**	2,185	**148,971**
Environment, Sustainability and Leisure	116,012	(23,819)	**92,193**	(8,750)	**83,443**	106,699	(23,936)	**82,763**	(8,893)	**73,870**
Resources*	42,862	(2,991)	**39,871**	65,957	**105,828**	14,183	(29,587)	**(15,404)**	162,854	**147,450**
Governance and Assurance	26,406	363	**26,769**	(653)	**26,116**	25,394	(411)	**24,983**	(309)	**24,674**
Strategy and Communities	8,233	2,389	**10,622**	(109)	**10,513**	8,336	349	**8,685**	(87)	**8,598**
Housing GF	38,448	1,271	**39,719**	304	**40,023**	29,351	(9,708)	**19,643**	1,953	**21,596**
Integrated Health and Care	4,352	(971)	**3,381**	(60)	**3,321**	-	-	**-**	-	**-**
Housing Revenue Account (HRA)	-	(3,938)	**(3,938)**	19,785	**15,847**	-	2,537	**2,537**	120,683	**123,220**
Support cost reallocations	(49,053)	49,053	**-**	-	**-**	(43,370)	43,370	**-**	-	**-**
Net cost of services	**359,399**	**7,760**	**367,159**	**84,812**	**451,971**	**315,832**	**(45,839)**	**269,993**	**278,386**	**548,379**
Other income and expenditure	(359,399)	(663)	**(360,062)**	(95,286)	**(455,348)**	(315,832)	8,930	**(306,902)**	(69,188)	**(376,090)**
(Surplus)/Deficit	**-**	**7,097**	**7,097**	**(10,474)**	**(3,377)**	**-**	**(36,909)**	**(36,909)**	**209,198**	**172,289**
Opening General Fund and HRA Balance at 1 April			**(312,152)**					**(275,243)**		
(Surplus)/Deficit on General Fund and HRA Balance in year			**7,097**					**(36,909)**		
Closing General Fund HRA Balance at 31 March			**(305,055)**					**(312,152)**		

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

2. ACCOUNTING POLICIES

Concepts and Principles

2.1 Basis of preparation

The Statement of Accounts summarises the council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices.These practices, under section 21 of the 2003 Act, primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2.2 Accruals of income and expenditure

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

2.2.1 Revenue from the sale of goods is recognised when the council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

2.2.2 Revenue from contracts with service recipients is recognised when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

2.2.3 Other revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction, and it is probable that economic benefits or service potential associated with the transaction will flow to the council.

2.2.4 Revenue from housing rents is recognised in the year the billing amount falls due.

2.2.5 Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as it is a non-contractual, non-exchange transaction with no difference between the delivery and payment dates. It is recognised in the financial statements when it is probable that the economic benefits associated with the transaction will flow to the council, and the amount of the revenue can be measured reliably.

2.2.6 Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet.

2.2.7 Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

2.2.8 Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

2.2.9 Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.2.10 Most accruals are automatically generated by the system concerned, but a de minimis is applied in respect of accruals raised manually unless material to grant funding streams or to individual budgets. The de minimis for 2024/25 remains at £20,000 for revenue and £50,000 for capital.

2.3 Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include bank accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are short term-investments, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

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

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

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

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

2.5 Charges to revenue for non-current assets

Services, support services and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

2.6 Council tax and non-domestic rates

As a billing authority the council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the GLA and central government and, as principals, collecting council tax and NDR for itself. The council is required by statute to maintain a separate fund (the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, the council, GLA and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

- **Accounting for council tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

2.7 Government grants and contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as grants received in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or taxation and non-specific grant income and expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the capital adjustment account. Amounts in the capital grants unapplied reserve are transferred to the capital adjustment account once they have been applied to fund capital expenditure.

2.8 Business improvement districts

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

2.9 Community infrastructure levy

The council has elected to charge a community infrastructure levy (CIL). The levy is charged on new builds (chargeable developments for the council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

The CIL is recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. CIL charges will be largely used to fund capital expenditure. However, a proportion (5%) of the charges is used to fund revenue expenditure, allowed under CIL regulation 61.

2.10 Inventories

Inventories (Stock) are measured at the lower of cost and net realisable value and the cost of inventories is assigned using the first in first out (FIFO) method. Property constructed for sale in the ordinary course of business is accounted for as inventory property. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. When inventory property is sold, its carrying amount is recognised as an expense in the period in which the related revenue is recognised.

2.11 Overheads and support services

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

• The resources and governance, housing general fund and HRA services contain costs relating to the council's status as a multi-functional, democratic organisation

• The resources and governance directorate contains the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

2.12 Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. This specific reserve, also referred as Earmarked reserve, are part of the council's General Fund balances. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

2.13 Value added tax (VAT)

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

2.14 Fair value measurement of non-financial assets

The council's accounting policy for fair value measurement of financial assets is set out in note 43. The council also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date, as mentioned below (under 2.15).

2.15 Table for Class of assets and Valuation basis

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

2.16 Table for Adjustments between accounting basis and funding basis

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

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

The material adjustments are:

<table>
<tr><th>Category</th><th>Accounting basis in CIES</th><th>Funding basis in MiRS</th><th>Adjustment account</th></tr>
<tr><td>Property, plant and equipment</td><td>Depreciation and revaluation/ impairment losses</td><td rowspan="4">Revenue provision to cover historical cost determined in accordance with 2003 regulations</td><td rowspan="4">Capital adjustment account</td></tr>
<tr><td>Intangible assets</td><td>Amortisation and impairment</td></tr>
<tr><td>Investment properties</td><td>Movement in fair value</td></tr>
<tr><td>Revenue expenditure funded from capital under statute</td><td>Expenditure incurred in year</td></tr>
<tr><td>Capital grants and contributions</td><td>Grants that became unconditional in year or were received in year without conditions</td><td>No credit</td><td>Capital grants unapplied reserve (unapplied at 31 March)

Capital adjustment account (other amounts)</td></tr>
<tr><td>Non-current asset disposals</td><td>Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)</td><td>No charge or credit</td><td>Capital adjustment account (carrying amount)

Capital receipts reserve (sale proceed and cost of disposal)

Deferred capital receipts reserve (sale proceeds not yet received)</td></tr>
<tr><td>Financial instruments</td><td>Premiums payable and discounts receivable on early repayment of borrowing in 2024/25

Losses on soft loans and interest receivable on an amortised cost basis

Movements in the fair value of money market fund investments</td><td>Deferred debits/credits of premiums/discounts from earlier years

Interest due to be received on soft loans in year

Historical cost gains/losses for money market fund investments disposed of in year</td><td>Financial instruments adjustment account</td></tr>
</table>

Category	Accounting basis in CIES	Funding basis in MiRS	Adjustment account
Pension costs	Movements in pensions assets and liabilities	Employers pension contributions payable and direct payments made by the council to pensioners	Pensions reserve
Council tax	Accrued income from 2024/25 bills	Demand on the Collection Fund for 2024/25 plus share of estimated surplus/deficit for 2023/24	Collection Fund adjustment account
Business rates	Accrued income from 2024/25 bills	Budgeted income receivable from the Collection Fund for 2024/25 plus share of estimated surplus/deficit 2023/24	Collection Fund adjustment account
Holiday pay	Projected cost of untaken leave entitlements at 31 March 2025	No charge	Accumulated absence adjustment account
Dedicated schools grant (DSG)	Expenditure incurred in 2024/25 to be met from dedicated schools grant	Expenditure incurred up to the amount of the grant receivable for 2024/25	Dedicated schools grant adjustment account

Non-current assets

2.17 Property, plant and equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and that are expected to be used during more than one financial year are classified as property, plant and equipment.

- **Recognition**

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

- **Measurement**

Assets are initially measured at cost, comprising:

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

Certain categories of property, plant and equipment are measured subsequently at current value – see 2.15 for details. Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

• where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

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

• **Impairment**

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

• **Depreciation**

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

Useful lives are assessed on the following bases:

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

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

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

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

• **Sites under development**

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

• **Disposals and assets held for sale**

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

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

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

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

2.18 Investment property

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

2.19 Leases

2.19.1 The council as lessee

The council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

- **Initial measurement**

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the council’s incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments
- variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the council is reasonably certain to exercise
- lease payments in an optional renewal period if the council is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the council is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

- **Subsequent measurement**

The right-of-use asset is subsequently measured using the fair value model. The council considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee
- the council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

- **Low value and short lease exemption**

As permitted by the Code, the council excludes leases:

- for low-value items that cost less than £5,000 when new, provided they are not highly dependent on or integrated with other items, and

- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the council is reasonably certain to exercise and any termination options that the council is reasonably certain not to exercise).

- **Lease expenditure**

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straightline depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

2.19.2 The council as lessor

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

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

- **Finance leases**

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt:

- Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement.
- Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement.
- When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

- **Operating leases**

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

2.20 Private finance initiative (PFI) and similar contracts

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

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

2.21 Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

2.22 Highways Network Infrastructure Assets

- **Highways Network Infrastructure Assets**

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

- **Recognition**

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

- **Measurement**

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

- **Depreciation**

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

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

- **Disposals and Derecognitions**

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

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

2.23 Accounting for schools non-current assets

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

	Number of schools	Value of land and buildings recognised £000
Community schools, nursery schools and special schools	40	587,620
Voluntary aided faith schools and foundation schools	21	-

2.24 Shared Ownership Properties

The cost of unsold shared ownership properties and those under construction is split according to the proportion of the property that will be sold. The proportion to be sold is included in inventories and the proportion to be retained is included in fixed assets. Gross sale proceeds and associated costs of sale are reflected in the Comprehensive Income and Expenditure Statement of the period in which the disposal occurs. The retained element of HRA shared ownership properties is stated at Social Housing Existing Use Value similar to other HRA properties.

Employee benefits

2.25 Employee benefits

- **Benefits payable during employment**

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (eg cars) for current employees and are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

- **Termination benefits**

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

- **Post employment benefits**

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

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

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

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

- **Employment benefits - the Local Government Pension Scheme**

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

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

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

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

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

- Service cost comprising
    - current service cost – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – debited to the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement as part of finance and governance
    - net interest on the net defined benefit liability (asset) - charged to the financing and investment income and expenditure line of the Comprehensive Income and Expenditure Statement

- Remeasurements comprising
    - the return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset); charged to the pensions reserve, as other comprehensive income and expenditure
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions; charged to the pensions reserve as other comprehensive income and expenditure

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

- **Discretionary benefits**

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

Financial Instruments

2.26 Financial instruments

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

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

- **Financial liabilities**

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

- **Financial assets**

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

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

- **Expected Credit Loss**

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

- **Financial Assets Measured at Fair Value through Profit of Loss (FVPL)**

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

Provisions, contingent liabilities and contingent assets

2.27 Provisions

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

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

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

2.28 Contingent liabilities

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

2.29 Contingent assets

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

2.30 Minimum Revenue Provision

For both supported borrowing and prudential borrowing the Council uses the asset life method and an annuity approach to calculate repayments for purposes of making Minimum Revenue Provision (MRP) against its Capital Financing Requirement each year.

In the case of finance leases, on-balance sheet private finance initiative contracts or other credit arrangements, MRP shall be the sum that writes down the balance sheet liability. These are being written down over the PFI contract term or the life of the lease.

Further details on MRP policy are available in the Council's Annual Treasury Strategy Statement.

Group Accounts

2.31 Schools

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

2.32 Interests in companies and other entities

The nature of the relationship between the council and the maintained schools is not similar to a parent entity and its subsidiaries, associates or joint ventures, therefore, it does not merit for group accounts to be prepared. Additionally, review of the council's relationships with third parties has determined that there are no such interests in companies and other entities.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

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

Indexation of Property, Plant and Equipment Valuations	From 1 April 2025, the CIPFA Code will change the arrangements for the valuation of Property, Plant and Equipment. For 2024/25, there has been a general requirement that assets are revalued sufficiently regularly so that their carrying amount at 31 March does not differ materially from their current value at that date. This will be replaced by an option to revalue assets every five years, subject to annual reviews for impairment and the updating of carrying amounts by the application of relevant indices. No adjustments to carrying amounts will be required at 1 April 2025. As indices for 2025/26 will not be available until after 31 March 2026, it is not possible to project what the impact of indexation will be.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in note 2, the council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in preparing the Statement of Accounts are as follows:

4.1 Accounting for schools' non-current assets

An accounting judgement has been made for each of the council's maintained schools as to whether their non-current assets - land and buildings - should be included on the council's own balance sheet. The council has assessed the legal framework for the different types of schools and has determined the following. The council recognises the assets of community, nursery and special schools because the rights and obligations associated with them rest with the council. However, most foundation and voluntary aided schools in the borough are not controlled by the council so their assets are not recognised on the council's balance sheet. The exception is Charles Dickens primary (a foundation school) whose assets are owned and controlled by the council.

St Michael’s, St Thomas, and Sacred Heart are voluntary aided secondary schools. St Michael’s became operational in January 2011, St Thomas in February 2012, and Sacred Heart in September 2014. The schools have been built and operated under PFI arrangements under 25 year contracts with 4 Futures Ltd.

The assets of voluntary aided secondary schools are deemed not to be assets of the council. Even though the council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the schools and reimbursement of the capital expense incurred, the council does not have an interest in the assets. Further details of the financial arrangements for the schools PFI contracts, and the obligations outstanding, can be found in note 35.

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

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

The items in the council's Balance Sheet at 31 March 2025 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

5.1 Valuation of property, plant and equipment (PPE)

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

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

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

5.2 Valuation of HRA Dwellings (part of PPE)

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

5.3 Movement in property valuations analysis

A sensitivity analysis detailing movement in valuations has not been provided because of the number of assumptions underpinning the valuations. Please see note 13 for PPE current revalued balances per asset category.

5.4 Defined benefit pension liability

The council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2025 the outstanding net pensions liability was assessed at £0m (£0m at 31 March 2024). For two of the pension funds the council contributes to, its own and that of the London Pension Fund Authority, the council's outstanding liability is assessed by consulting actuaries to each fund.

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

6. EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet reporting period are those events, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the statement of accounts is authorised for issue.

Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period – the statement of accounts is adjusted to reflect such events

• those that are indicative of conditions that arose after the reporting period – the statement of accounts is not adjusted to reflect such events, but where such a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the statement of accounts.

In May 2025 Southwark was informed by the Pension Regulator that it had reversed a judgement that would have required Southwark to pay backdated employee pension contributions going back to 2012. The original judgement was made following a sefl-referral by the council becasue certain employees had not been auto-enrolled on to the pension scheme in accordance with law. Because of the earlier judgement accrued expenditure was established in 24-25 to reflect the backdated costs. The post-balance sheet ruling changed the conditions that existed at the end of the reporting period, and because it was communicated before the council finalised its accounts, the accrued expenditure was removed.

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

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

	2024/25				2023/24			
Adjustments from General Fund and HRA to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Children and Adults	19,744	(1,785)	(9,621)	8,338	11,274	(1,541)	(7,548)	2,185
Environment, Sustainability and Leisure	23,327	(1,962)	(30,115)	(8,750)	18,680	(1,600)	(25,973)	(8,893)
Resources*	15,511	(1,029)	51,475	65,957	87,007	(825)	76,672	162,854
Governance and Assurance	2,708	(414)	(2,947)	(653)	3,750	(312)	(3,747)	(309)
Strategy and Communities	-	(117)	8	(109)	-	(87)	-	(87)
Housing GF	686	(212)	(170)	304	2,239	(172)	(114)	1,953
Integrated Health and Care	-	(85)	25	(60)	-	-	-	-
Housing Revenue Account (HRA)	48,616	(1,828)	(27,003)	19,785	139,588	(1,286)	(17,619)	120,683
Net cost of services	**110,592**	**(7,432)**	**(18,348)**	**84,812**	**262,538**	**(5,823)**	**21,671**	**278,386**
Other income and expenditure from the funding analysis	(124,145)	(1,203)	30,062	(95,286)	(46,841)	(1,277)	(21,070)	(69,188)
Differences between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit	**(13,553)**	**(8,635)**	**11,714**	**(10,474)**	**215,697**	**(7,100)**	**601**	**209,198**

* 'Finance' department from 2023/24 has been renamed to 'Resources' in 2024/25.

Adjustments for Capital purposes

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

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

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

Net change for the pensions adjustments

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

Other differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute. For net cost of services other differences, this represents removal of the annual leave accrual adjustment, dedicated schools grant deficit adjustment, finance costs, premiums and financial instruments adjustments. For financing and investment income and expenditure the other differences column recognises adjustments to General Fund for the timing differences for premiums and discounts and financial instruments. The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and non-domestic rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the CIPFA Code of Accounting Practice for Local Authorities 2024/25. This is a timing difference as any difference will be brought forward in future surpluses or deficits in the Collection Fund.

An analysis of the nature of Income and Expenditure:

	2024/25	2023/24
	£000	£000
Expenditure		
Employee expenses	471,961	419,473
Other services expenses	853,765	832,600
Depreciation, amortisation and impairment	232,093	324,602
Interest payments	53,791	45,400
Precepts and levies	2,080	2,059
Losses on disposal of assets	29,868	27,062
Subtotal	**1,643,558**	**1,651,196**
Income		
Fees, charges and other service income	(529,904)	(490,611)
Interest and investment income	3,068	37,014
Income from council tax and business rates (NDR)	(234,624)	(229,318)
Government grants and contributions	(827,622)	(765,612)
Gains on disposal of assets	(57,853)	(30,380)
Subtotal	**(1,646,935)**	**(1,478,907)**
(Surplus) / deficit on the provision of services	**(3,377)**	**172,289**

8. OTHER OPERATING INCOME AND EXPENDITURE

	2024/25	2023/24
	£000	£000
Levies	2,081	2,059
(Gain)/loss on the disposal of non-current assets	(27,985)	(3,318)
Total Other Operating Expenditure	**(25,904)**	**(1,259)**

9. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2024/25	2023/24
	£000	£000
Interest payable and similar charges	54,994	46,677
Net interest on the net defined benefit liability	(1,203)	(1,277)
Interest receivable and similar income	(5,759)	(11,399)
Income, expenditure and changes in the fair value of investment properties	8,827	48,413
Total Financing and Investment Income and Expenditure	**56,859**	**82,414**

10. TAXATION AND NON-SPECIFIC GRANT INCOME

	2024/25	2023/24
	£000	£000
Council Tax Income	(140,112)	(134,115)
Non-domestic rates income and expenditure	(94,512)	(95,204)
Un-ringfenced government grants	(120,170)	(113,648)
Capital Grants and contributions	(131,509)	(114,279)
Total Taxation and Non-Specific Grant Income	**(486,303)**	**(457,246)**

11. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

General Fund balance

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

Housing Revenue Account balance

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

Major repairs reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

2024/25	Usable Reserves General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(69,512)	(46,429)				115,941
Revaluation losses on Property, Plant and Equipment	(25,839)	(90,316)				116,155
Movements in the fair value of Investment Properties	(26,531)	(204)				26,735
Capital grants and contributions applied	24,518	22,696				(47,214)
Revenue expenditure funded from capital under statute	(19,680)	(597)				20,277
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(3,032)	(26,836)				29,868
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	15,135	-				(15,135)
Lease and PFI repayment	24,763	387				(25,150)
Capital expenditure charged against the General Fund and HRA balances	4,850	41,450				(46,300)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	84,296	-			(84,296)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-			8,031	(8,031)
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,803	48,832		(51,635)		-
Transfer from deferred debtors to usable capital receipts	-	-				-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-		51,729		(51,729)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	-	-		-		-
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	-	-		-		-
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	6,355				(6,355)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA	-	46,444	(46,444)			-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	46,444			(46,444)

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

2024/25 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824				(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-				-
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(30,392)	(9,910)				40,302
Employer’s pensions contributions and direct payments to pensioners payable in the year	36,903	12,034				(48,937)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(5,175)	-				5,175
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	(6,339)	-				6,339
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,207)	(58)				1,265
Total adjustments	**5,802**	**4,672**	**-**	**94**	**(76,265)**	**65,697**

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

2023/24	**Usable Reserves**					
	General Fund Balance	**Housing Revenue Account**	**Major Repairs Reserve**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(44,284)	(46,857)	-	-	-	91,141
Revaluation losses on Property, Plant and Equipment	(90,538)	(142,922)	-	-	-	233,460
Movements in the fair value of Investment Properties	(57,623)	(6,057)	-	-	-	63,680
Capital grants and contributions applied	30,822	63,750	-	-	-	(94,572)
Revenue expenditure funded from capital under statute	(16,936)	(857)	-	-	-	17,793
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	(19,702)	(7,360)	-	-	-	27,062
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Provision to reduce the capital financing requirement (minimum revenue provision MRP)	12,615	-	-	-	-	(12,615)
Lease and PFI repayment	7,153	321	-	-	-	(7,474)
Capital expenditure charged against the General Fund and HRA balances	2,612	3,223	-	-	-	(5,835)
Adjustments primarily involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	19,706	-	-	-	(19,706)	-
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	82	27,348		(27,430)	-	-
Transfer from deferred debtors to usable capital receipts					-	-
Use of the Capital Receipts Reserve to finance new capital expenditure				25,650	-	(25,650)
Adjustments primarily involving the deferred capital receipts reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	2,950	-	-	-	(2,950)
Adjustments primarily involving the Major Repairs Reserve (MRR):						
MRR credited with an amount equal to the depreciation charged to the HRA		46,857	(46,857)	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure			46,857	-	-	(46,857)

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

2023/24 Continued	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Repayment of premiums	241	824	-	-	-	(1,065)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	740	-	-	-	-	(740)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(31,459)	(8,920)	-	-	-	40,379
Employer's pensions contributions and direct payments to pensioners payable in the year	36,991	10,488	-	-	-	(47,479)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(3,596)	-	-	-	-	3,596
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	1,058	-	-	-	-	(1,058)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	148	(16)	-	-	-	(132)
Total adjustments	**(151,970)**	**(57,228)**	**-**	**(1,780)**	**(19,706)**	**230,684**

12. USABLE RESERVES

Reserves represent the authority's net worth and show its spending power. Usable reserves result from the authority's activities and can be spent in the future. This note sets out the amounts set aside and posted back to Usable Reserves in 2024/25, they include:

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

	1 April 2024	Transfer out 2024	Transfer in 2024	31 March 2025	1 April 2023	Transfer out 2023	Transfer in 2023	31 March 2024
	£000	£000	£000	£000	£000	£000	£000	£000
General Fund Reserve	**(22,443)**	**-**	**-**	**(22,443)**	**(22,443)**	**-**	**-**	**(22,443)**
Earmarked Reserves:								
Corporate projects and priorities reserves	(63,567)	4,635		(58,932)	(39,579)	-	(23,988)	(63,567)
Service reviews and improvement reserves	(58,338)		(1,334)	(59,672)	(33,974)	-	(24,364)	(58,338)
Capital programme and other capital investment reserves	(29,754)	3,136		(26,618)	(35,759)	6,005	-	(29,754)
Strategic financial risk reserves	(48,491)	4,475		(44,016)	(59,178)	10,687	-	(48,491)
Technical liabilities and smoothing reserves	(42,295)	2,769		(39,526)	(38,910)		(3,385)	(42,295)
Covid-19 reserves	-	-	-	-	(2,473)	2,473	-	-
Revenue grants reserve	(2,347)	247		(2,100)	(2,617)	270	-	(2,347)
Total Earmarked Reserves	**(244,792)**	**15,262**	**(1,334)**	**(230,864)**	**(212,490)**	**19,435**	**(51,737)**	**(244,792)**
Schools Reserves								
Schools DSG Reserve	(12,937)		(2,928)	(15,865)	(7,184)		(5,753)	(12,937)
Schools balances	(15,059)	6		(15,053)	(13,668)		(1,391)	(15,059)
Total Schools Reserves	**(27,996)**	**6**	**(2,928)**	**(30,918)**	**(20,852)**	**-**	**(7,144)**	**(27,996)**
HRA Reserves								
HRA General Reserve	(16,921)		(3,910)	(20,831)	(19,458)	2,537	-	(16,921)
Major Repairs Reserve	-	46,444	(46,444)	-	-	46,857	(46,857)	-
Total HRA Reserves	**(16,921)**	**46,444**	**(50,354)**	**(20,831)**	**(19,458)**	**49,394**	**(46,857)**	**(16,921)**
Capital Reserves								
Capital Receipts Reserve	(102,506)	51,729	(51,635)	(102,412)	(100,726)	25,650	(27,430)	(102,506)
Capital Grants Unapplied Reserve	(19,706)	8,031	(84,296)	(95,971)	-	-	(19,706)	(19,706)
Total Capital Reserves	**(122,212)**	**59,760**	**(135,931)**	**(198,383)**	**(100,726)**	**25,650**	**(47,136)**	**(122,212)**
Total Usable Reserves	**(434,364)**	**121,472**	**(190,547)**	**(503,439)**	**(375,969)**	**94,479**	**(152,874)**	**(434,364)**

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

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

2024/25	Council Dwellings	Other Land and Buildings	ROU Assets Land and Buildings	Vehicles, Plant, Furniture & Equipment	*Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PP&E	PFI Assets Included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Gross Book Value										
Opening balance	3,392,146	1,196,959	-	146,704	334,429	19,197	13,284	622,673	**5,725,392**	93,523
Additions	64,487	21,197	38,306	22,286	31,860	1,805	10	142,586	**322,537**	2,378
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(9,303)	20,898	-	-	-	-	(6,014)	-	**5,581**	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(107,296)	(30,063)	-	-	-	-	(156)	-	**(137,515)**	-
Derecognition – Disposals	(6,510)	(2,573)	-	-	-	-	-	-	**(9,083)**	-
Derecognition – Other	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified	238,442	(33,649)	-	-	(19,014)	19,300	-	(243,232)	**(38,153)**	-
Balance as at 31 March 2025	**3,571,966**	**1,172,769**	**38,306**	**168,990**	**347,275**	**40,302**	**7,124**	**522,027**	**5,868,759**	**95,901**
Depreciation and Impairment										
Opening balance	(2)	(8,482)	-	(94,734)	-	(901)	-	(196)	**(104,315)**	(14,707)
Depreciation charge	(44,129)	(23,124)	(17,769)	(9,145)	(21,767)	-	(21)	-	**(115,955)**	(2,881)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,023	23,099	-	-	-	-	21	-	**50,143**	
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	16,995	4,364	-	-	-	-	-	-	**21,359**	-
Derecognition – Disposals	110	247	-	-	-	-	-	-	**357**	-
Derecognition – Other	-	-	-	-	-	-	-	-	**-**	-
Assets reclassified	-	-	-	-	-	-	-	-	**-**	-
Balance as at 31 March 2025	**(3)**	**(3,896)**	**(17,769)**	**(103,879)**	**(21,767)**	**(901)**	**-**	**(196)**	**(148,411)**	**(17,588)**
Net Book Value at 31 March 2025	**3,571,963**	**1,168,873**	**20,537**	**65,111**	**325,508**	**39,401**	**7,124**	**521,831**	**5,720,348**	**78,313**

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

2023/24	Council Dwellings	Other Land and Buildings	ROU Assets Land and Buildings	Vehicles, Plant, Furniture & Equipment	*Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	TOTAL PP&E	PFI Assets Included in Property, Plant and Equipment
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Gross Book Value										
Opening balance	3,430,291	1,062,001	-	131,011	329,173	18,981	36,770	629,934	**5,638,161**	91,168
Additions	117,902	29,023		15,693	25,741	216	-	225,003	**413,578**	2,355
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(157,023)	200,559		-	-	-	(13,044)	-	**30,492**	-
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(133,727)	(115,872)		-	-	-	(4,400)	-	**(253,999)**	-
Derecognition – Disposals	(4,049)	(15,505)		-	-	-	(3,332)	-	**(22,886)**	-
Derecognition – Other	-	-		-	-	-	-	(1,020)	**(1,020)**	-
Assets reclassified	138,752	36,753		-	-	-	(2,710)	(231,244)	**(58,449)**	-
Balance as at 31 March 2024	**3,392,146**	**1,196,959**	**-**	**146,704**	**354,914**	**19,197**	**13,284**	**622,673**	**5,745,877**	**93,523**
Depreciation and Impairment										
Opening balance	(2)	(10,648)	-	(87,190)	-	(901)	(3)	(196)	**(98,940)**	(12,288)
Depreciation charge	(44,594)	(18,480)		(7,544)	(20,485)	-	(38)	-	**(91,141)**	(2,196)
Depreciation written out on revaluations recognised in the Revaluation Reserve	27,110	17,367		-	-	-	35	-	**44,512**	(223)
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	17,409	3,124		-	-	-	6	-	**20,539**	-
Derecognition – Disposals	75	155		-	-	-		-	**230**	-
Derecognition – Other	-	-		-	-	-	-	-	**-**	-
Assets reclassified	-	-		-	-	-	-	-	**-**	-
Balance as at 31 March 2024	**(2)**	**(8,482)**	**-**	**(94,734)**	**(20,485)**	**(901)**	**-**	**(196)**	**(124,800)**	**(14,707)**
Net Book Value at 31 March 2024	**3,392,144**	**1,188,477**	**-**	**51,970**	**334,429**	**18,296**	**13,284**	**622,477**	**5,621,077**	**78,816**

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

*Infrastructure assets

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

The valuation of assets, as at 31 March 2024, has been carried out by Cluttons LLP, in accordance with the Statement of Asset Valuation Practices and Guidance Notes of the Royal Institute of Chartered Surveyors. High value assets such as schools are valued ever year, Other Land and Buildings (OLB) which are not high value and Surplus Assets are valued at 31 March normally on a 20% rolling basis to ensure valuation of all assets in this category are within five years. However for this year 100% of assets have been valued. Council dwellings are valued every year at their existing use based on 'Beacon' valuation principles and have a social housing adjustment element to reduce the balance sheet value to 25% of the beacon value, as directed by MHCLG. Additionally, a review of assets under construction as well as general impairments to assets are carried out on an annual basis.

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

At 31 March 2025, the council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years budgeted to cost £249.8 million. Similar commitments at 31 March 2024 were £380.1 million.

The commitments are as below:

	2024/25	2023/24
	£m	£m
General Fund	9.8	29.3
Housing Revenue Account	240.0	350.8
Total	**249.8**	**380.1**

The highest value contractual commitments are:

General Fund

	2024/25	2023/24
	£m	£m
The Charter School East Dulwich	1.6	10.3
Riverside Primary School	2.0	10.8
Canada Water Leisure Centre	-	-
Elephant and Castle, Transport for London works	1.1	-
Total	**4.7**	**21.1**

Housing Revenue Account

	2024/25	2023/24
	£m	£m
Ledbury Towers New Build	157.5	175.2
Tustin Low Rise Works Phase 1	12.7	60.6
66 Linden Grove	9.2	-
Aylesbury FDS PK B New Build	0.0	17.7
Aylesbury H&S Works 23/24 Phase 2	6.6	11.5
Albion New Homes-Construction	3.5	9.5
Kingswood Flat Roof Blocks QHIP	-	-
Albion New Homes-Construction	-	-
Cator Street 2	-	-
Total	**189.5**	**274.5**

14. INVESTMENT PROPERTIES

The income and expenditure on investment assets was as follows:

	2024/25	2023/24
	£000	£000
Rental income from investment property	(23,619)	(20,920)
Fair value adjustments - (upwards)/downwards revaluation	26,720	63,680
Direct operating expenses arising from investment property	5,726	5,653
Net (gain)/loss included in Financing and Investment Income in CIES	**8,827**	**48,413**

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

	2024/25	2023/24
	£000	£000
Balance as at 1 April	**290,176**	**313,232**
Additions	3,130	1,147
Disposals	(1,707)	-
Net gains/(losses) from fair value adjustments	(26,720)	(63,680)
Transfers (to)/from property, plant and equipment (PPE)	38,102	39,477
Balance as at 31 March	**302,981**	**290,176**

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

15a. ASSETS HELD FOR SALE

	Current		Non-Current	
	2024/25	2023/24	2024/25	2023/24
	£000	£000	£000	£000
Balance at 1 April	**18,972**	**16,617**	**-**	**-**
Additions	-	-	-	-
Transfers (to)/from property, plant and equipment (PPE)	51	4,703	-	-
Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services	-	(2,348)	-	-
Assets sold	(11,225)	-	-	-
Balance at 31 March	**7,798**	**18,972**	**-**	**-**

15b. INVENTORIES

	2024/25			2023/24		
	Property acquired or constructed for sale	General Stores	Total	Property acquired or constructed for sale	General Stores	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**11,492**	**512**	**12,004**	**-**	**520**	**520**
Purchases		-	**-**	22	-	**22**
Transfers (to)/from property, plant and equipment (PPE)		-	**-**	14,856	-	**14,856**
Assets sold or expensed in year	(8,209)	(65)	**(8,274)**	(3,386)	(8)	**(3,394)**
Balance at 31 March	**3,283**	**447**	**3,730**	**11,492**	**512**	**12,004**

The council holds inventories which are made up of 2 types - Property units for sale and General Stores which holds materials for asset management such as public lighting, signs, park, etc and cleaning materials.

16. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The balance of cash and cash equivalents is made up of the elements set out below. The bank overdraft is a function of the council's utilisation of multiple pooled bank accounts and is integral to the day-to-day cash management of the council. The bank overdraft includes all outstanding and unpresented items.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

	31 March 2025	31 March 2024
	£000	£000
Cash held by the council	1,833	3,006
Cash equivalents		1,001
Short-term funds in money markets	53,506	34,490
Subtotal	**55,339**	**38,497**
Bank current accounts (bank overdraft)	(4,482)	(3,967)
Total cash and cash equivalents	**50,857**	**34,530**

17. DEBTORS AND IMPAIRMENT ALLOWANCE

	31 March 2025				31 March 2024			
	GROSS Short-term Debtors	Impairment Allowance	NET Short-term Debtors	Long-term Debtors	GROSS Short-term Debtors	Impairment Allowance	NET Short-term Debtors	Long-term Debtors
	£000	£000	£000	£000	£000	£000	£000	£000
Trade receivables	137,723	(66,765)	70,958	33,172	145,279	(64,753)	80,526	30,887
Central government bodies	40,762	-	40,762	-	39,897	-	39,897	-
Council Tax receivable from taxpayers	49,640	(27,186)	22,454	-	44,582	(22,158)	22,424	-
Housing benefit debtors	18,386	(8,783)	9,603	-	18,319	(8,730)	9,589	-
Non domestic rates receivable from taxpayers	10,295	(6,079)	4,216	-	10,526	(6,211)	4,315	-
Payments in advance	5,992	-	5,992	-	4,654	-	4,654	-
Public bodies	12,411	-	12,411	-	9,802	-	9,802	-
Total	**275,209**	**(108,813)**	**166,396**	**33,172**	**273,059**	**(101,852)**	**171,207**	**30,887**

Debtors with central government bodies, council tax, housing benefit, non-domestic rates and payments in advance are included as a non-financial asset under note 39 Financial Instruments (£95.4m), because they do not meet the definition of a financial asset.

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

DEBTORS FOR LOCAL TAXATION

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

Age of debt	31 March 2025			31 March 2024		
	£000	£000	£000	£000	£000	£000
	Council Tax	NNDR	Total	Council Tax	NNDR	Total
Less than 1 year	7,260	3,221	10,481	9,967	3,363	13,330
Between 1 and 2 years	5,337	584	5,921	4,883	758	5,641
Between 2 and 3 years	4,330	294	4,624	4,132	194	4,326
More than 3 years	5,527	117	5,644	3,442	-	3,442
Total Council's share	**22,454**	**4,216**	**26,670**	**22,424**	**4,315**	**26,739**

18. CREDITORS

	31 March 2025		31 March 2024	
	Short-term Creditors	Long-term Creditors	Short-term Creditors	Long-term Creditors
	£000	£000	£000	£000
Trade payables	(122,743)	(416)	(141,183)	(6,175)
Central government bodies	(9,356)		(17,410)	-
Council Tax refundable to taxpayers	(8,121)		(7,161)	-
Non domestic rates refundable to taxpayers	(13,605)		(13,258)	-
Employee Benefits	(8,071)		(6,810)	-
PFI finance lease liability	(22,915)		(5,450)	-
Public bodies	(21,309)		(21,625)	-
Receipts in advance	(33,118)		(32,062)	-
Total	**(239,238)**	**(416)**	**(244,959)**	**(6,175)**

Creditors with central government bodies, council tax, non-domestic rates and receipts in advance are included as a non-financial liability in note 39 Financial Instruments (£93.6m), because they do not meet the definition of a financial liability.

19. PROVISIONS

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

2024/25	1 April 2024	Increase during year	Utilised during year	31 March 2025
	£000	£000	£000	£000
Long-term provisions				
Insurance provision	(6,684)	(1,904)	-	(8,588)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(93)	(1,528)	-	(1,621)
Southwark Business Services employment terms	(740)	-	240	(500)
Public Health	-	(216)	-	(216)
Housing & Modernisation provisions	(86)	-	72	(14)
Civil refunds	(356)	-	356	-
Other	(52)	-	52	-
Total Long-term provisions	**(8,964)**	**(3,648)**	**720**	**(11,892)**
Short-term provisions				
Business rates appeals	(5,924)	(1,879)	-	(7,803)
Total Short-term provisions	**(5,924)**	**(1,879)**	**-**	**(7,803)**

2023/24	1 April 2023	Increase during year	Utilised during year	31 March 2024
	£000	£000	£000	£000
Long-term provisions				
Insurance provision	(9,031)	-	2,347	(6,684)
Water refund provision	(953)	-	-	(953)
Business rates appeals	(9,406)	-	9,313	(93)
Southwark Business Services employment terms	(759)	-	19	(740)
Public Health	(1,476)	-	1,476	-
Housing & Modernisation provisions	(377)	-	291	(86)
Civil refunds	(356)	-	-	(356)
Other	(112)	-	60	(52)
Total Long-term provisions	**(22,470)**	**-**	**13,506**	**(8,964)**
Short-term provisions				
Business rates appeals	(510)	(5,414)	-	(5,924)
Total Short-term provisions	**(510)**	**(5,414)**	**-**	**(5,924)**

20. DEDICATED SCHOOLS GRANT

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

Details of the deployment of DSG receivable for 2024/25 are as follows:

	Central Expenditure	Individual Schools Budgets	Total	Total
			2024/25	**2023/24**
	£000	**£000**	**£000**	**£000**
Final DSG before academy and high needs figure recoupment			(395,746)	(374,449)
Academy and High needs figure recouped			182,815	171,560
Total DSG after academy and high needs figure recoupment			**(212,931)**	**(202,889)**
Plus: Brought forward from previous year			(12,937)	(7,184)
Less: Carry-forward agreed in advance			12,937	7,184
Agreed initial budgeted distribution for the year	(87,894)	(125,037)	**(212,931)**	**(202,889)**
In year adjustments	(3,127)	-	**(3,127)**	(4,422)
Final budget distribution for the year	(91,021)	(125,037)	**(216,058)**	**(207,311)**
Less: Actual central expenditure	88,093	-	**88,093**	73,696
Less: Actual ISB deployed to schools	-	125,037	**125,037**	127,862
Plus: Local authority contribution	-	-	**-**	-
In-year Carry-forward (Surplus)/Deficit	**(2,928)**	**-**	(2,928)	**(5,753)**
Plus: Carry-forward agreed in advance			(12,937)	(7,184)
Carry-forward Deficit			**(15,865)**	**(12,937)**
DSG unusable reserve as at 1 April			21,651	21,651
Addition to DSG unusable reserve during the year			-	-
Total of DSG unusable reserve as at 31 March (Note 23)			**21,651**	**21,651**
Net DSG position as at 31 March			**5,786**	**8,714**

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

The DSG unusable reserve is part of the Safety Valve agreement to reduce accumulated DSG deficits. The deficit is held on the unusable reserve, while the useable reserve contains funding contributions. Over the agreed period of the Safety Valve the two reserves should equal each other, thereby removing the accumulated DSG deficit.

The in-year surplus of £2.928m has been transferred to the usable reserve while the unusable reserve balance remains £21.651m.

Per Note 12 Usable Reserve and Note 23 Unusable Reserves	**2024/25**	**2023/24**
Dedicated Schools Grant balances	**£000**	**£000**
DSG unusable reserve as at 1 April	21,651	21,651
Addition to DSG unusable reserve during the year	**-**	-
Total of DSG unusable reserve as at 31 March (Note 23)	**21,651**	**21,651**
DSG usable reserve as at 1 April	(12,937)	(7,184)
Addition to DSG usable reserve during the year	(2,928)	(5,753)
Total of DSG usable reserve as at 31 March (Note 12)	**(15,865)**	**(12,937)**
Dedicated Schools Grant net accumulated balance	**5,786**	**8,714**

21. GRANT INCOME

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

	2024/25	2023/24
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Capital grants and contributions	(131,509)	(114,279)
Revenue support grant	(44,969)	(42,175)
Business rates top up	(33,901)	(38,470)
Business rates relief/section 31 grants	(36,046)	(26,645)
New homes bonus	(4,445)	(1,672)
Lower tier support grant	(809)	(4,686)
Sub total	**(251,679)**	**(227,927)**
Credited to Provision of Services		
Dedicated Schools grant	(214,487)	(205,242)
Housing Benefits Subsidy - rent rebates granted to housing revenue account tenants	(68,828)	(66,120)
Housing Benefits Subsidy - rent allowances	(52,923)	(54,214)
Public Health	(31,685)	(30,466)
Housing Benefits Subsidy - non-housing revenue account rent rebates	(20,772)	(19,552)
Better Care Fund	(21,401)	(20,255)
Improved Better Care Fund	(17,847)	(17,847)
Social Care Support grant	(36,362)	(27,648)
The Private Finance Initiative (PFI)	(7,158)	(9,935)
Pupil Premium grant	(9,565)	(10,059)
Homelessness prevention grant	(7,330)	(7,203)
Market Sustainability Grant	(6,872)	(6,067)
Household Support Grant	(5,470)	-
Other grants individually less than £5 million	(75,243)	(63,077)
Sub total	**(575,943)**	**(537,685)**
Total	**(827,622)**	**(765,612)**

21. GRANT INCOME continued

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

	2024/25	2023/24
	£000	£000
Balance as at 1 April	(174,007)	(207,812)
New capital grants received in advance	(92,997)	(80,474)
Amounts released to the CIES (conditions met)	131,509	114,279
Balance as at 31 March	**(135,495)**	**(174,007)**

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

	2024/25	2023/24
	£000	£000
Planning Gains	(55,405)	(98,105)
Schools	(877)	(1,144)
New Homes	(75,458)	(68,209)
Other grants	(3,755)	(6,549)
Balance as at 31 March	**(135,495)**	**(174,007)**

22. POOLED BUDGETS

Better Care Fund (BCF)

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

	2024/25		2023/24	
	£000	**£000**	**£000**	**£000**
Funding Provided to the Pooled Budget:				
· Council	(24,110)		(22,183)	
· Integrated Care Board (ICB)	(35,115)		(32,183)	
		(59,225)		**(54,366)**
Expenditure met from the pooled budget:				
· Council	46,777		43,726	
· Integrated Care Board (ICB)	12,448		10,640	
		59,225		**54,366**
Net (surplus)/deficit arising on the pooled budget		**-**		**-**

Integrated Community Equipment Store (ICES)

Southwark council and the NHS SEL ICB also operate pooled fund arrangements for an integrated community equipment service. The council is the lead authority for the arrangement. Expenditure met from the pooled budget was £2.89m in 2024-25 (£3.10m in 2023-24).

23. UNUSABLE RESERVES

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

	2024/25	2023/24
	£000	£000
Capital Adjustment Account	(2,308,316)	(2,330,819)
Revaluation Reserve	(1,897,251)	(1,887,998)
Pensions Reserve	(48)	(62)
Collection Fund Adjustment Account	21,283	9,769
Financial Instruments Adjustment Account	10,362	11,427
Dedicated Schools Grant Adjustment Account	21,651	21,651
Accumulating Absences Adjustment Account	8,071	6,810
Financial Instruments Revaluation Reserve	-	236
Deferred Capital Receipts Reserve	(9,305)	(2,950)
Total unusable reserves	**(4,153,553)**	**(4,171,936)**

23. UNUSABLE RESERVES continued

Capital Adjustment Account

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

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

Note 11 details the sources of all the transactions posted to the account, apart from those involving the revaluation reserve.

	2024/25		2023/24	
	£000	£000	£000	£000
Balance at 1 April		**(2,330,819)**		**(2,555,028)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	115,941		91,141	
Revaluation losses on Property Plant & Equipment and AHFS	116,155		233,460	
Revenue expenditure funded from capital under statute	20,277		17,793	
Movements in the market value of Investment Properties	26,735		63,680	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	29,868		27,062	
		308,976		**433,136**
Adjusting amounts written out of the revaluation reserve for disposals and restatements	(26,973)		(7,999)	
Adjusting amounts written out of the Revaluation Reserve for the difference between fair value depreciation and historical cost depreciation	(19,497)		(18,061)	
Net written out amount of the cost of non current assets consumed in the year		**(46,470)**		**(26,060)**
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	(51,729)		(25,650)	
Use of the Major Repairs Reserve to finance new capital expenditure	(46,444)		(46,857)	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(47,214)		(94,572)	
Application of grants to capital financing transferred to the Capital Adjustment Account	(8,031)		-	
Provision for the financing of capital investment charged against the General Fund and HRA balances	(40,285)		(20,089)	
Capital expenditure charged against the General Fund and HRA balances	(46,300)		(5,834)	
Adjustment between FIAA and CAA			10,135	
		(240,003)		**(182,867)**
Balance at 31 March		**(2,308,316)**		**(2,330,819)**

23. UNUSABLE RESERVES continued

Revaluation reserve

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

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

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

	2024/25		2023/24	
	£000	£000	£000	£000
Balance at 1 April		**(1,887,998)**		**(1,840,816)**
Upward revaluation of assets	(176,966)		(351,841)	
Downward revaluation of assets and impairment losses not charged to the surplus/deficit on the provision of Services	121,239		278,598	
Total of surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on the provision of Services		**(55,727)**		**(73,243)**
Adjusting amounts written to the Capital Adjustment Account for disposals and restatements		26,975		8,000
Difference between fair value depreciation and historical cost depreciation		19,499		18,061
Balance at 31 March		**(1,897,251)**		**(1,887,998)**

Pensions Reserve

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

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

	2024/25	2023/24
	£000	£000
Balance at 1 April	**(62)**	**(138)**
IAS19 report balance adjustment	-	-
Remeasurements of the net defined benefit liability	8,649	7,176
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40,302	40,379
Employer's pension contributions and direct payments payable to pensioners in the year	(48,937)	(47,479)
Balance at 31 March	**(48)**	**(62)**

23. UNUSABLE RESERVES continued

Collection Fund Adjustment Account

	2024/25	2023/24
	£000	£000
Balance at 1 April	**9,768**	**7,230**
Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	11,514	2,538
Balance at 31 March	**21,282**	**9,768**

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

Collection Fund Adjustment Account - Council Tax	2024/25	2023/24
	£000	£000
Balance at 1 April	**4,591**	**995**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	5,175	3,596
Balance at 31 March	**9,766**	**4,591**

Collection Fund Adjustment Account - Business Rates	2024/25	2023/24
	£000	£000
Balance at 1 April	**5,177**	**6,235**
Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	6,339	(1,058)
Balance at 31 March	**11,516**	**5,177**

23. UNUSABLE RESERVES continued

Financial instruments adjustment account

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

Amongst the transactions on this account are premiums paid on the early redemption of loans; premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out to the Movement in Reserves Statement. Over time the expense is posted back to the Movement in Reserves Statement in accordance with statutory arrangements for spreading the burden on council tax.

	2024/25	2023/24
	£000	£000
Balance at 1 April	**11,428**	**23,368**
Adjustment between FIAA and CAA		(10,135)
Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements	(1,066)	(1,065)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	-	(740)
Balance at 31 March	**10,362**	**11,428**

Dedicated Schools Grant Adjustment Account

	2024/25	2023/24
	£000	£000
Balance at 1 April	**21,651**	**21,651**
Transfer of the opening dedicated schools grant deficit from the DSG reserve (earmarked usable reserve) to the DSG adjustment account.	-	-
In year dedicated schools grant deficit	-	-
Balance at 31 March	**21,651**	**21,651**

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

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

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

23. UNUSABLE RESERVES continued

Accumulating Absences Adjustment Account

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

	2024/25	2023/24
	£000	£000
Balance at 1 April	**6,810**	**6,942**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,261	(132)
Balance at 31 March	**8,071**	**6,810**

24. CASH FLOW FROM OPERATING ACTIVITIES

	2024/25	2023/24
	£000	£000
Adjustment to surplus or deficit on the provision of services for non cash movement:		
Depreciation and impairment of non-current assets	115,938	91,141
Upward/(downward) revaluations	142,893	297,140
Increase/(decrease) in impairment for credit losses (bad debts)	6,959	9,902
Increase/(decrease) in creditors	5,985	(2,619)
(Increase)/decrease in debtors	(4,433)	(29,586)
(Increase)/decrease in inventories	65	8
Movement in pension liability	(8,635)	(7,100)
Increase/(decrease) in provisions	4,807	(8,092)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	29,868	27,062
Other non-cash items charged to the net surplus or deficit on the provision of services	8,187	1,217
Total	**301,634**	**379,073**

	2024/25	2023/24
	£000	£000
Adjustment for items included in the net surplus or deficit on the provision of services that are investing and financing activities:		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(51,635)	(27,430)
Capital grants included in Taxation and non-specific grant income	(131,509)	(114,278)
Total	**(183,144)**	**(141,708)**

The cash flows from operating activities include the following amounts:

	2024/25	2023/24
	£000	£000
Interest received	(5,759)	(11,399)
Interest paid	54,994	46,677
Net interest	**49,235**	**35,278**

25. CASH FLOW FROM INVESTING ACTIVITIES

	2024/25	2023/24
	£000	£000
Purchase of PP&E, Investment Property and Intangible Assets	(325,667)	(414,747)
Purchase of short-term and long-term investments	-	(86,604)
Proceeds from the sale of Property, Plant and equipment, investment property and intangible assets	51,635	27,430
Proceeds from sale of short-term investments (not considered to be cash equivalents)	28,306	167,232
Capital grants and contributions received	92,997	80,473
Net cash flows from Investing Activities	**(152,729)**	**(226,216)**

26. CASH FLOW FROM FINANCING ACTIVITIES

	2024/25 £000	2023/24 £000
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-balance-sheet PFI contracts	(25,159)	(7,473)
Cash receipts of short and long-term borrowing	309,886	191,145
Repayments of short and long term borrowing	(237,538)	(92,665)
Net Cash flows from Financing Activities	**47,189**	**91,007**

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

	Long-term borrowings £000	Short-term borrowings £000	Lease liabilities £000	Total £000
Opening balance as at 1 April 2023	**(894,820)**	**(103,138)**	**(76,444)**	**(1,074,402)**
Financing cash flows	(72,074)	(26,406)	7,473	(91,007)
Non-financing cash flows	-	-	(2,355)	(2,355)
Closing balance as at 31 March 2024	**(966,894)**	**(129,544)**	**(71,326)**	**(1,167,764)**
Opening balance as at 1 April 2024	**(966,894)**	**(129,544)**	**(71,326)**	**(1,167,764)**
Financing cash flows:				
Repayment	55,792	181,746	25,159	262,697
Proceeds	(205,395)	(104,491)		(309,886)
Subtotal	**(149,603)**	**77,255**	**25,159**	**(47,189)**
Non-financing cash flows:				
Acquisition			(42,878)	(42,878)
Fair value				-
Reclassification				-
Subtotal	**-**	**-**	**(42,878)**	**(42,878)**
Closing balance as at 31 March 2025	**(1,116,497)**	**(52,289)**	**(89,045)**	**(1,257,831)**

28. EXTERNAL AUDIT COSTS

	2024/25	2023/24
	£000	£000
Fees payable for external audit services carried out by the appointed auditor for the year (PSAA scale fee)	591	556
Additional fees payable for external audit services carried out by the appointed auditor (per ISA 260 report, subject to PSAA approval)	-	
Total external audit fees	**591**	**556**
Fees payable to the appointed auditor for the certification of grant claims and returns for the year	38	62
Fees payable in respect of other non-audit services not covered above	-	
Total non audit fees	**38**	**62**
Total fees payable to external auditor	**629**	**618**

29. MEMBERS' ALLOWANCES

The amount of members' allowances and expenses paid in 2024/25 was £1,623,230 (£1,580,794 in 2023/24).

30. OFFICERS' REMUNERATION

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

The following table sets out this information for both 2024/25 and 2023/24.

	2024/25					2023/24		
Post-holder	**Salary**	**Electoral Duties**	**Total Remuneration**	**Compensation for Loss of Office**	**Council's contributions to the Pension Fund**	**Remuneration**	**Compensation for Loss of Office**	**Council's contributions to the Pension Fund**
	£	£	£	£	£	£	£	£
Chief Executive - A Loderick	235,975	14,249	250,224	-	48,375	230,368	-	47,225
Strategic Director of Children and Adults' Services - D Quirke-Thornton	208,239	-	208,239	-	42,689	203,301	-	41,677
Strategic Director of Resources - C Palfreyman	208,239	6,422	214,661	-	42,689	173,012	-	35,467
Strategic Director of Finance	-	-	-	-	-	29,315	113,435	6,010
Strategic Director of Housing - H Osinaike	195,183	-	195,183	-	40,013	15,378	-	3,152
Strategic Director of Housing	-	-	-	-	-	171,496	30,000	35,157
Strategic Director of Environment, Sustainability and Leisure - T Ainge	163,979	-	163,979	-	33,616	26,677	-	5,469
Strategic Director of Environment, Neighbourhoods & Growth	-	-	-	-	-	206,444	-	42,321
Director of Children's Services - A Smith	169,630	-	169,630	-	34,774	165,885	-	34,006
Director of Public Health	-	-	-	-	-	136,574	-	27,998
Strategic Director of Integrated Health & Care	90,833	-	90,833	-	18,621	-	-	-
Asst Chief Exec, Governance & Assurance - D Forrester-Brown	165,542	6,422	171,964	-	33,936	153,914	-	31,552
Asst Chief Exec, Strategy & Communities	-	-	-	-	-	142,565	-	29,226
Asst Chief Exec, Strategy & Communities	37,962	-	37,962	-	7,782	-	-	-
Managing Director of Southwark Construction - S Davis	187,074	-	187,074	-	38,350	157,619	-	32,312
Director of Asset Management	-	-	-	-	-	157,619	-	32,312

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

Remuneration figures represent gross pay for the post-holder before that individual's personal contributions to the Southwark Pension Fund. They include basic salary plus any contracted additions paid during the financial year. Senior officers who worked part-time or part of the year have been included based on annualised pay.

Notes on related 2024/25 figures:

- The Strategic Director of Finance left in May 2023 and was replaced by the Strategic Director of Finance C Palfreyman in the same period.
- The Strategic Director of Housing left in September 2023 and was replaced in March 2024 by Hakeem Osinaike.
- The Strategic Director of Environment, Neighbourhoods & Growth C Bruce left in February 2024 and was replaced in the same period by
- The Strategic Director of Integrated Health And Care is a new position that was filled in June 2024.
- The Director of Public Health's remuneration package this year does not meet the requirements for disclosure as a senior officer and as such it is not being reported.

30. OFFICERS' REMUNERATION continued

During 2024/25 the council employed staff whose taxable remuneration, including payment on termination of employment was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

Number of employees 2023/24				Number of employees 2024/25		
Schools	**Non schools**	**Total**	**Band (£)**	**Schools**	**Non schools**	**Total**
111	482	593	50,000 - 54,999	136	483	619
172	312	484	55,000 - 59,999	174	395	569
60	77	137	60,000 - 64,999	115	121	236
53	60	113	65,000 - 69,999	61	67	128
33	83	116	70,000 - 74,999	43	101	144
29	17	46	75,000 - 79,999	36	27	63
26	25	51	80,000 - 84,999	13	16	29
15	15	30	85,000 - 89,999	24	29	53
18	14	32	90,000 - 94,999	16	13	29
5	16	21	95,000 - 99,999	12	12	24
6	3	9	100,000 – 104,999	4	7	11
9	10	19	105,000 - 109,999	4	20	24
1	3	4	110,000 - 114,999	3	6	9
1	2	3	115,000 – 119,999	5	5	10
-	2	2	120,000 – 124,999	2	-	2
1	-	1	125,000 – 129,999	-	-	-
-	-	-	130,000 – 134,999	-	-	-
1	3	4	135,000 – 139,999	1	1	2
1	3	4	140,000 – 144,999	-	4	4
-	3	3	145,000 – 149,999	2	5	7
-	-	-	150,000 – 154,999	-	-	-
-	-	-	155,000 – 159,999	-	-	-
-	-	-	160,000 – 164,999	-	-	-
542	**1,130**	**1,672**	**Total**	**651**	**1,312**	**1,963**

For the financial year 2024/25, the total number of non-school employees whose earnings exceeded £100,000 per annum (excluding payments on termination of employment) was 21 (30 in 2023/24).

31. TERMINATION BENEFITS

Exit package cost band	Number of exit packages		Number of exit packages		Total number of exit packages		Total cost of exit packages by band	
	Schools		Non-schools					
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
	No. staff	No. staff	No. staff	No. staff	No. staff	No. staff	£000	£000
£0 - £20,000	34	53	9	7	**43**	**60**	372	530
£20,001 - £40,000	4	12	6	7	**10**	**19**	224	642
£40,001 - £60,000	3	1	4	3	**7**	**4**	328	202
£60,001 - £80,000	-	2	4	3	**4**	**5**	282	425
£80,001 - £100,000	-	2	3	1	**3**	**3**	251	321
£100,001 - £150,000	-		4	4	**4**	**4**	481	485
£150,001 - £200,000	-		2	4	**2**	**4**	347	638
£200,001 - £300,000	-		-	2	**-**	**2**	-	469
Total	**41**	**70**	**32**	**31**	**73**	**101**	**2,285**	**3,712**

One compulsory redundancy was made by schools in 2024/25 totalling £30,108 (2023/24 eight compulsory redundancies totalling £190,822).

Note that in some cases bands have been amalgamated in order to ensure that individual exit packages cannot be recognised by comparing number of packages to the total cost of packages in a band.

32. RELATED PARTY TRANSACTIONS

The authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the authority.

Government Organisations and Other Public Bodies

Central government has effective control over the general operations of the council. It is responsible for providing the statutory framework within which the council operates and provides the majority of its funding. Grants received from government departments during the year and receipts outstanding at 31 March 2025 are set out in note 21 to the accounts.

Members and chief officers

Members of the council have direct control over the council's financial and operating policies.The total of members' allowances paid in 2024/25 is shown in note 29. Information regarding reportable transactions has been collated by requiring all members and chief officers to declare any related party transactions. A review of the register of members' interests has been conducted, including the register of declarations at committee meetings.

Related party interests for which transactions exist for financial outflows in 2024/25 were declared by 15 councillors with no submission from chief officers (17 and 0 respectively in 2023/24). Related party interests for which transactions exist for financial inflows in 2024/25 were declared by 7 councillors with no submission from chief officers (8 and 0 respectively in 2023/24).

	2024/25		2023/24	
	£000	£000	£000	£000
	Transactions	Balance	Transactions	Balance
Financial outflows (vendors)				
Businesses or other organisations	3,568	-	4,628	-
Voluntary or Charitable organisations	448	(25)	3,390	-
Total	**4,016**	**(25)**	**8,018**	**-**
Financial inflows (customers)				
Businesses or other organisations	(394)	1	- 499	(91)
Voluntary or Charitable organisations	(154)	(11)	73	12
Total	**(548)**	**(10)**	**(426)**	**(79)**

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

Pensions

The council is the administering authority of the Pension Fund. The council charged the fund £1.37 million (£0.8 million in 2023/24) for expenses incurred in administering the Pension Fund which is included within the Statement of Accounts.

33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2024/25	2023/24
	£000	£000
Opening Capital Financing Requirement	**1,742,603**	**1,503,065**
Capital Investment		
Property, Plant & Equipment (including assets held for sale)	322,537	413,600
Revenue expenditure funded from capital under statute (REFCUS)	20,277	17,793
Long-term debtors	1,750	-
Investment property	3,130	1,147
Total capital investment	**347,694**	**432,540**
Sources of capital finance		
Capital receipts	(51,729)	(25,650)
Government grants and other contributions	(47,214)	(94,572)
Direct revenue contributions	(46,300)	(5,834)
Major Repairs Reserve	(46,444)	(46,857)
Minimum revenue provision (MRP) / loans fund principal	(40,285)	(20,089)
Total capital investment financed	**(231,972)**	**(193,002)**
Closing Capital Financing Requirement	**1,858,325**	**1,742,603**
Explanation of movement		
Increase in underlying need to borrow	75,038	237,183
Assets acquired under lease agreements	38,306	
Assets acquired under private finance initiative (PFI) contracts	2,378	2,355
Net movement in year	**115,722**	**239,538**

*The opening CFR balance was adjusted to account for the inclusion of historic leases

34. LEASES

Leases which effectively transfer the majority of risks and rewards associated with ownership of a non-current asset to the authority are accounted for as though the asset has been purchased. Assets obtained through thesse finance leases are recorded under non-current assets at the lower of either their fair value or the present value of the minimum lease payments. The capital portion of the lease is recognised as a liability under finance lease obligations or creditors.

Lease payments are split into capital and interest components. The capital element reduces the outstanding lease liability, while the interest element is expensed to revenue on a straight-line basis over the lease term.

From 1 April 2024, the Council implemented IFRS 16. Accordingly, from the 2024/25 financial year onwards, all adjustments reflect the recognition of right-of-use assets and associated lease liabilities for leases previously classified as operating leases. These assets are recognised as property, plant, and equipment on the Balance Sheet and are depreciated over the shorter of their useful life or the lease term.

	2024/25			2023/24
Right of Use Assets	**Land**	**Buildings**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April*	-	-	-	*
Adjustments for right of use assets	1,072	37,233	38,305	
Additions	-	-	-	
Revaluation increases/(decreases)	-	-	-	
Derecognition	-	-	-	
Closing balance at 31 March	**1,072**	**37,233**	**38,305**	**-**

	2024/25			2023/24
Lease Liabilities	**Long term**	**Short term**	**Total**	**Total**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April*	-	-	-	*
Adjustments for right of use assets	(19,013)	(19,293)	(38,306)	
Additions	-	-	-	
Derecognition	-	-	-	
Interest	(2,039)	-	(2,039)	
Payments	-	19,293	19,293	
Transfers	18,172	(18,172)	-	
Closing balance at 31 March	**(2,880)**	**(18,172)**	**(21,052)**	**-**

*IFRS 16 was implemented from 1 April 2024 and no comparative is applicable.

The council as Lessor – operating leases

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

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

	31/03/2025	31/03/2024
Period due	**£000**	**£000**
Within 1 year	16,021	16,498
Within 2 to 5 years	49,238	51,310
After 5 years	55,870	62,162
Total due	**121,129**	**129,970**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

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

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

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

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

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

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

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

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

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

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

	St Michael's Catholic College	St Thomas the Apostle College	Sacred Heart Catholic School	Integrated Waste Management Facility	Heating Supply Arrangement	Total
	£000	£000	£000	£000	£000	£000
Opening balance as at 1 April 2023	**(12,606)**	**(16,068)**	**(15,458)**	**(28,546)**	**(3,766)**	**(76,444)**
New liability incurred	-	-	-	(2,251)	(104)	**(2,355)**
Repayments made in year	640	594	453	5,466	320	**7,473**
Closing balance as at 31 March 2024	**(11,966)**	**(15,474)**	**(15,005)**	**(25,331)**	**(3,550)**	**(71,326)**
Opening balance as at 1 April 2024	(11,966)	(15,474)	(15,005)	(25,331)	(3,550)	**(71,326)**
New liability incurred	(238)	(1,055)	(901)	(2,252)	(126)	**(4,572)**
Repayments made in year	506	825	767	5,427	380	**7,905**
Closing balance as at 31 March 2025	**(11,698)**	**(15,704)**	**(15,139)**	**(22,156)**	**(3,296)**	**(67,993)**

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

	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Total
	£000	£000	£000	£000
Net Book Value at 1 April 2023	**58,650**	**16,094**	**4,136**	**78,880**
Additions	-	2,251	104	**2,355**
Depreciation & Impairment	(933)	(1,056)	(207)	**(2,196)**
Revaluation	(223)	-	-	**(223)**
Net Book Value at 31 March 2024	**57,494**	**17,289**	**4,033**	**78,816**
Net Book Value at 1 April 2024	57,494	17,289	4,033	**78,816**
Additions	-	2,252	126	**2,378**
Depreciation & Impairment	(1,487)	(1,182)	(212)	**(2,881)**
Revaluations				**-**
Net Book Value at 31 March 2025	**56,007**	**18,359**	**3,947**	**78,313**

35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS continued

The projected payments under the agreements are as follows:

	1 year	2-5 years	6-10 years	11-15 years	16-20 years	Total
	£000	£000	£000	£000	£000	£000
St Michael's Catholic College						
Liability	(195)	(3,599)	(6,164)	(1,740)	-	**(11,698)**
Interest	(1,472)	(5,141)	(3,377)	(149)	-	**(10,139)**
Service Charges	(1,094)	(3,677)	(6,195)	(668)	-	**(11,634)**
St Thomas the Apostle College						
Liability	(568)	(3,825)	(8,258)	(3,053)		**(15,704)**
Interest	(1,675)	(5,823)	(4,203)	(324)		**(12,025)**
Service Charges	(308)	(1,342)	(1,947)	(141)		**(3,738)**
Lifecycle Payments	(318)	(820)	(1,238)	(195)		**(2,571)**
Sacred Heart Catholic School						
Liability	(641)	(3,443)	(6,879)	(4,176)		**(15,139)**
Interest	(1,542)	(5,456)	(4,212)	(574)		**(11,784)**
Service Charges	(540)	(2,332)	(3,335)	(2,051)		**(8,258)**
Lifecycle Payments	(147)	(579)	(1,219)	(885)		**(2,830)**
Integrated Waste Management Facility						
Liability	(3,070)	(11,282)	(7,804)	-		**(22,156)**
Interest	(1,310)	(3,757)	(1,366)	-		**(6,433)**
Service Charges	(26,758)	(116,427)	(92,469)	-		**(235,654)**
Lifecycle Payments	(3,237)	(13,963)	(10,614)	-		**(27,814)**
Heat Supply Arrangement						
Liability	(270)	(1,438)	(1,588)			**(3,296)**
Interest	(408)	(1,276)	(447)			**(2,131)**
Service Charges	(2,023)	(8,784)	(7,365)			**(18,172)**
Lifecycle Payments	(129)	(550)	(450)			**(1,129)**

36. OTHER LONG-TERM LIABILITIES

	31 March 2025	31 March 2024
	£000	£000
Payments due under PFI schemes and similar arrangements:		
St Michaels Catholic college	(11,504)	(11,476)
St Thomas the Apostle College	(15,135)	(14,678)
Sacred Heart Catholic school	(14,498)	(14,259)
Integrated waste Management Facility	(19,087)	(22,156)
Heat Supply Arrangement	(3,026)	(3,307)
Payments due under finance lease liabilities IFRS16:		
Finance lease liability	(2,880)	
Total	**(66,130)**	**(65,876)**

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

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

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

In 2024/25 the council paid £15.4m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 28.7% of pensionable pay (£12.6m and 23.6% respectively in 2023/24).

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

38. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

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

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

38. DEFINED BENEFIT PENSION SCHEMES continued

Transactions relating to post employment benefits

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

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement						
Cost of services:						
- Current service cost	39,300	105	**39,405**	38,700	153	**38,853**
- Past service costs	2,100	-	**2,100**	2,700	103	**2,803**
Financing and investment income and expenditure:						
- Net interest expense/(income)	(1,200)	(3)	**(1,203)**	(1,200)	(77)	**(1,277)**
Total post employment benefit charged to the surplus or deficit on the provision of services	**40,200**	**102**	**40,302**	**40,200**	**179**	**40,379**
Other comprehensive income and expenditure:						
Remeasurement of the net defined benefit liability comprising						
- *IAS19 report balance adjustment*			**-**			**-**
- Return on plan assets (excluding amount included in the net interest expense)	71,300	1,191	**72,491**	(124,400)	(2,734)	**(127,134)**
- Actuarial gains and losses arising on changes in demographic assumptions	(13,200)	(95)	**(13,295)**	(28,500)	(530)	**(29,030)**
- Actuarial gains and losses arising on changes in financial assumptions	(291,500)	(2,891)	**(294,391)**	(59,100)	(80)	**(59,180)**
- Actuarial gains and losses arising on changes in liability experience	3,200	(106)	**3,094**	18,800	123	**18,923**
- Other actuarial gains and losses on assets	238,900	1,850	**240,750**	200,300	3,297	**203,597**
Total remeasurements in other comprehensive income and expenditure	**8,700**	**(51)**	**8,649**	**7,100**	**76**	**7,176**
Total post employment benefit charged to the comprehensive income and expenditure statement	**48,900**	**51**	**48,951**	**47,300**	**255**	**47,555**

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Movement in reserves statement						
- Reversal of net charges made to the surplus or deficit for the provision of services for post employment benefits in accordance with the Code	(40,200)	(102)	**(40,302)**	(40,200)	(179)	**(40,379)**
Actual amount charged against the General Fund Balance for pensions in the year:						
- Employers' contributions payable to the scheme	48,900	37	**48,937**	47,300	179	**47,479**
Net adjustment between accounting basis and funding basis under regulations	**8,700**	**(65)**	**8,635**	**7,100**	**-**	**7,100**

38. DEFINED BENEFIT PENSION SCHEMES continued

Pensions assets and liabilities recognised in the balance sheet

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

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Fair value of plan assets	2,193,500	68,988	**2,262,488**	2,176,000	70,344	**2,246,344**
Less Present value of defined benefit obligation	(1,590,100)	(34,250)	**(1,624,350)**	(1,828,200)	(38,961)	**(1,867,161)**
Net surplus/(liability) arising from defined benefit obligation pre asset-ceiling	**603,400**	**34,738**	**638,138**	**347,800**	**31,383**	**379,183**
Less asset ceiling under IFRIC 14 assessment	(603,400)	(34,690)	**(638,090)**	(347,800)	(31,321)	**(379,121)**
Net (liability) arising from defined benefit obligation post asset-ceiling	**-**	**48**	**48**	**-**	**62**	**62**

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

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	2,176,000	70,344	**2,246,344**	1,972,095	66,884	**2,038,979**
IAS19 report balance adjustment			**-**	5		**5**
Interest income on assets	104,200	3,328	**107,528**	92,500	3,391	**95,891**
Remeasurement gains/(losses) on assets	(71,300)	(1,191)	**(72,491)**	124,400	2,734	**127,134**
Other actuarial gains/(losses)	-	-	**-**	-	-	**-**
Administration expenses	-	(21)	**(21)**	-	(20)	**(20)**
Employer contributions	48,900	37	**48,937**	47,300	179	**47,479**
Contribution by participants	16,500	24	**16,524**	15,000	41	**15,041**
Contribution by admitted bodies	800	-	**800**	700	-	**700**
Net benefits paid out	(81,600)	(3,533)	**(85,133)**	(76,000)	(2,865)	**(78,865)**
Closing balance at 31 March	**2,193,500**	**68,988**	**2,262,488**	**2,176,000**	**70,344**	**2,246,344**

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

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	(1,828,200)	(38,961)	**(1,867,161)**	(1,831,200)	(40,101)	**(1,871,301)**
Current service cost	(39,300)	(84)	**(39,384)**	(38,700)	(133)	**(38,833)**
Interest cost	(86,300)	(1,806)	**(88,106)**	(84,700)	(1,935)	**(86,635)**
Contribution by admitted bodies	(800)		**(800)**	(700)	-	**(700)**
Contributions by scheme participants	(16,500)	(24)	**(16,524)**	(15,000)	(41)	**(15,041)**
Change in financial assumptions	291,500	2,891	**294,391**	59,100	80	**59,180**
Change in demographic assumptions	13,200	95	**13,295**	28,500	530	**29,030**
Experience loss/(gain) on defined benefit obligation	(3,200)	106	**(3,094)**	(18,800)	(123)	**(18,923)**
Benefits paid	81,600	3,533	**85,133**	76,000	2,865	**78,865**
Past service costs	(2,100)	-	**(2,100)**	(2,700)	(103)	**(2,803)**
Closing balance at 31 March	**(1,590,100)**	**(34,250)**	**(1,624,350)**	**(1,828,200)**	**(38,961)**	**(1,867,161)**

38. DEFINED BENEFIT PENSION SCHEMES continued

Scheme assets comprised:

	2024/25			2023/24		
	Council	LPFA	Total	Council	LPFA	Total
	£000	£000	£000	£000	£000	£000
Quoted						
- Equities	1,186,684	40,689	**1,227,373**	1,122,816	42,591	**1,165,407**
- Government bonds	153,545	-	**153,545**	156,672		**156,672**
- Corporate bonds	-	-	**-**	108,800		**108,800**
- Target return portfolio	203,996	12,529	**216,525**	106,624	12,135	**118,759**
- Other	-	-	**-**	8,704		**8,704**
Subtotal	**1,544,224**	**53,218**	**1,597,442**	**1,503,616**	**54,726**	**1,558,342**
Unquoted						
- Equities	54,838	-	**54,838**	47,872		**47,872**
- Infrastructure	-	7,869	**7,869**	-	8,081	**8,081**
- Property	326,832	6,288	**333,120**	298,112	6,435	**304,547**
- Cash	24,129	1,613	**25,742**	69,632	1,102	**70,734**
- Other	243,479	-	**243,479**	256,768		**256,768**
Subtotal	**649,276**	**15,770**	**665,046**	**672,384**	**15,618**	**688,002**
IAS19 report balance adjustment	-	-	**-**	-	-	**-**
Total	**2,193,500**	**68,988**	**2,262,488**	**2,176,000**	**70,344**	**2,246,344**

Basis for estimating assets and liabilities

The scheme assets, as shown above, are those attributable to the council from its membership of the Local Government Pension Scheme (LGPS) for both the London borough of Southwark Pension Fund (Council) and the London Pension Fund Authority (LPFA).

The value of the assets is provided by fund actuaries. The LGPS valuation is based on asset values at 31 March 2025. The LPFA actuary uses market values at 31 January 2025, then indexed for market movements to arrive at a valuation for 31 March 2025.

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

Included within the LGPS assets and liabilities are asset and liabilities relating to admitted body participations. Admitted bodies pay contributions that are fixed as a percentage of pensionable pay for the duration of their participations. The Council bears the actuarial risk in relation to these participations, and the related assets and liabilities will be retained by the Council at the end of the participations. The fixed contributions from admitted bodies are included in the asset and liability reconciliations above. It is estimated that admitted bodies make up <2% of the assets and liabilities.

38. DEFINED BENEFIT PENSION SCHEMES continued

Principal assumptions used by the actuaries

	Council		LPFA	
	2024/25	**2023/24**	**2024/25**	**2023/24**
Mortality assumptions				
Longevity at 65 for current pensioners				
- Men (years)	20.9	21.0	19.9	19.9
- Women (years)	23.7	23.8	23.2	23.2
Longevity at 45 for future pensioners				
- Men (years)	21.8	22.3	21.4	21.4
- Women (years)	25.2	25.2	25.0	24.9
Principal financial assumptions				
- Rate of inflation CPI	2.5%	2.6%	3.9%	3.0%
- Rate of increase in salaries	4.0%	4.1%	2.9%	4.0%
- Rate of increase in pensions	2.5%	2.6%	3.9%	3.0%
- Rate of pension accounts revaluation	2.5%	2.6%	0.0%	0.0%
- Rate for discounting scheme liabilities	5.8%	4.8%	5.7%	4.9%

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

Assumption	Impact of increase			Impact of decrease		
	Council	**LPFA**	**Total**	**Council**	**LPFA**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Present value of total obligation						
Longevity (+/- 1 Year)	1,625,100	36,211	**1,661,311**	1,555,100	32,407	**1,587,507**
Rate of increase in salaries (+/- 0.1%)	1,591,700	34,258	**1,625,958**	1,588,500	34,242	**1,622,742**
Rate of increase in pensions (+/- 0.1%)	1,610,800	34,565	**1,645,365**	1,569,400	33,940	**1,603,340**
Rate for discounting scheme liabilities (+/- 0.1%)	1,567,800	33,940	**1,601,740**	1,612,400	34,565	**1,646,965**
Projected service cost						
Longevity (+/- 1 Year)	28,100	75	**28,175**	26,000	71	**26,071**
Rate of increase in salaries (+/- 0.1%)	27,100	73	**27,173**	27,100	73	**27,173**
Rate of increase in pensions (+/- 0.1%)	28,400	74	**28,474**	25,800	72	**25,872**
Rate for discounting scheme liabilities (+/- 0.1%)	25,800	72	**25,872**	28,400	74	**28,474**

Impact on the council’s cash flows

The objective of the schemes are to achieve a funding level of 100%, with funding levels monitored on an annual basis. The next triennial valuation is due to be completed as at 31 March 2026. The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total obligation of £1,624m (£1,867m at 31 March 2024) has a substantial impact on the net worth of the council as recorded in the Balance Sheet, resulting in a net asset of £48k (asset of £62k at 31 March 2024). The surplus recognised in the balance sheet was restricted by £603.4m (2023/24 £347.8m) on the council's scheme and by £34.7m (2023/24 £31.3m) on the LPFA scheme, under paragraph 64 of IAS19 / IFRIC 14 assessment.

As members of the Local Government Pension Scheme, both the council and LPFA schemes have taken account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government's Pension Scheme may not provide final salary scheme benefits in relation to service after 31 March 2014. The act provides for scheme regulations to be made within common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants. The anticipated service cost in 2024/25 is £27.1m for the council scheme and £0.07m for the LPFA scheme. The weighted average duration of the defined benefit obligation for the council scheme members is 13.7 years (15.5 years 2023/24) and 10 years for LPFA scheme members (10 years 2023/24).

39. FINANCIAL INSTRUMENTS

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

Financial Liabilities

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

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

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

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

	Long Term		Short Term		Total	
	31 March 2025	**31 March 2024**	**31 March 2025**	**31 March 2024**	**31 March 2025**	**31 March 2024**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Borrowings						
At amortised cost	(1,116,497)	(966,894)	(52,289)	(129,544)	(1,168,786)	(1,096,438)
Cash and Cash Equivalents						
Bank overdraft at amortised cost		-	(4,482)	(3,967)	(4,482)	(3,967)
PFI and Other liabilities						
At amortised cost	(66,131)	(65,876)	(22,915)	(5,450)	(89,046)	(71,326)
Creditors						
At amortised cost	(416)	(6,175)	(122,743)	(141,183)	(123,159)	(147,358)
Total Financial Liabilities	**(1,183,044)**	**(1,038,945)**	**(202,429)**	**(280,144)**	**(1,385,473)**	**(1,319,089)**
Non-Financial Liabilities			(93,580)	(98,326)	(93,580)	(98,326)
Total	**(1,183,044)**	**(1,038,945)**	**(296,009)**	**(378,470)**	**(1,479,053)**	**(1,417,415)**

The short-term borrowing total of £52.2m (£53.4m at 31 March 2024) represents accrued interest and principal payments on long-term borrowing due within 12 months.

The creditors lines in the balance sheet include £93.6m (£98.3m at 31 March 2024) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions (please see note 18 Creditors).

39. FINANCIAL INSTRUMENTS continued

Financial

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

• Amortised cost (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows) comprising:
- cash in hand and at bank
- certificates of deposit and covered bonds issued by banks and building societies
- treasury bills and gilts issued by the UK Government
- loans made for service purposes
- lease receivables
- trade receivables for goods and services provided

• Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the council's business model is to collect those cash flows and sell the instrument) comprising:
- bonds issued by banks, building societies, the UK Government, multilateral development banks and large companies that the council holds to sell if cash flow needs demand

• Fair value through profit and loss (all other financial assets) comprising:
- money market funds managed by three fund managers.

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

	Long Term		Short Term		Total	
	31 March 2025	31 March 2024	31 March 2025	31 March 2024	31 March 2025	31 March 2024
	£000	£000	£000	£000	£000	£000
Investments						
At fair value through other comprehensive income	200	11,304	-	16,524	200	27,828
At amortised cost	-	-		677	-	677
Total Investments	**200**	**11,304**	**-**	**17,201**	**200**	**28,505**
Cash and Cash Equivalents						
At fair value through profit and loss	-	-	55,339	38,497	55,339	38,497
Debtors						
Long term debtors*	28,149	26,399			28,149	26,399
Trade receivables at amortised cost	33,172	30,887	70,958	80,526	104,130	111,413
Total Financial Assets	**61,521**	**68,590**	**126,297**	**136,224**	**187,818**	**204,814**
Non-Financial Assets	**-**	-	95,438	90,681	95,438	90,681
Total	**61,521**	**68,590**	**221,735**	**226,905**	**283,256**	**295,495**

The short-term debtors line on the balance sheet includes £95.4m (£90.7m at 31 March 2024) debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions (please see note 17 Debtors).

The council's treasury investments have been dis-invested from its two external fund managers during the financial year. An internal operation remains to manage short-term liquidity.

*Included in long term debtors are amounts classed as soft loans. These are loans issued by the council at lower than market rate. The opening balance of long term debtors include soft loans issued to Mountview Academy of Theatre Arts and the Central School of Ballet, During 2024-25, the council issued a discounted loan of £1.75m to The Old Vic. The council also offer discounted loans to residents of Southwark via such schemes as Empty Homes Loans.

39. FINANCIAL INSTRUMENTS continued

Financial Instruments – Gains and Losses

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

	2024/25					2023/24				
	Financial Liabilities at amortised cost	Financial Assets at amortised cost	Financial Assets at fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total	Financial Liabilities at amortised cost	Financial Assets at amortised cost	Financial Assets at fair value through other comprehensive income	Financial Assets at fair value through profit or loss	Total
	£000		£000	£000	£000	£000	£000		£000	£000
Interest expense	54,868				**54,868**	46,494	-		-	**46,494**
Other charges	126				**126**	183	-		-	**183**
Total expenses in surplus or deficit on the provision of services	**54,994**		**-**	**-**	**54,994**	**46,677**	**-**		**-**	**46,677**
Interest Income		(5,759)			**(5,759)**	-	(4,509)	(2,028)	(4,862)	**(11,399)**
Total income in surplus or deficit on the provision of services	**-**	**(5,759)**	**-**	**-**	**(5,759)**	**-**	**(4,509)**	**(2,028)**	**(4,862)**	**(11,399)**
Surplus/(deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-		(236)	-	**(236)**	-	-	473	-	**473**
Net (gain)/loss for the year	**54,994**	**(5,759)**	**(236)**	**-**	**48,999**	**46,677**	**(4,509)**	**(1,555)**	**(4,862)**	**35,751**

40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The council's treasury investments have been dis-invested from its two external fund managers during the financial year. An internal operation remains to manage short-term liquidity.

The main risks covered are:

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

Credit risk - investments

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

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

The council's exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest repayments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at 31 March 2025 that this was likely to crystallise.

The maximum exposure to credit risk is represented by the sums held in investments. All treasury investments, value of £53.2m held at 31 March 2025 were held in AAA ,money market funds with at call settlement of T+0 days.

	£000				%			
	A	AA	AAA	Total	A	AA	AAA	Total
	£000	£000	£000	£000	%	%	%	%
Up to 1 year			53,507	**53,507**			99.6%	**99.6%**
1 - 2 years				**-**				**0.0%**
2 - 5 years			200	**200**			0.4%	**0.4%**
Total investments	**-**	**-**	**53,707**	**53,707**	**0.0%**	**0.0%**	**100.0%**	**100.0%**

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

Credit risk - receivables

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

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

The council analyses its debts outstanding to determine the level of impairment allowance to provide for. For example reviewing the age profile of debt, collection rate, stages of the debt such as those summoned to court and other characteristics such as current and former tenants for social housing tenant, then applying an appropriate rate of provision for that type, age and characteristic of the debt.

Liquidity risk

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

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

The maturity analysis of principal sums borrowed is as follows:

	2024/25	2023/24
	£000	£000
Less than 1 year	(42,743)	(118,409)
Between 1 and 5 years	(167,900)	(130,653)
Between 5 and 10 years	(243,748)	(157,253)
Between 10 and 20 years	(105,143)	(79,218)
Over 20 years	(599,770)	(599,770)
Total	**(1,159,304)**	**(1,085,303)**

Market risk

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

Outstanding long-term council debt at 31 March 2025 is primarily from the PWLB with short-term borrowing from other local authorities. The debt is at fixed rates, with an average maturity of 21.9 years (19.4 years at 31 March 2024). The maturity profile of the debt is shown in the table above. The council may draw further loans from the PWLB if needed. A 1% rise in discount rates at Balance Sheet date would lower the fair value by £92m. As the debt is held at amortised cost there would be no impact on the Comprehensive Income and Expenditure Statement from such a change, unless the debt was extinguished. Legislation would then require a charge to be taken to the financial instruments adjustment account.

All treasury Investments are held in money market funds.

41. FAIR VALUE - ASSETS AND LIABILITIES

Fair value - basis of valuation

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

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

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

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

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

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

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

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

	Fair value level	31 March 2025		31 March 2024	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial liabilities held at amortised cost:					
Long term loans from PWLB	2	(1,116,497)	(957,477)	(1,014,463)	(826,882)
Other long-term loans	2	(7,537)	(5,581)	(5,841)	(3,864)
Private finance initiative liabilities	2	(67,993)	(67,993)	(71,326)	(92,127)
Subtotal		**(1,192,027)**	**(1,031,051)**	**(1,091,630)**	**(922,873)**
Liabilities for which fair value is not disclosed		(287,026)		(325,785)	
Total financial liabilities		**(1,479,053)**		**(1,417,415)**	
Recorded on balance sheet as:					
Short-term creditors		(216,323)		(239,509)	
Short-term borrowing		(52,289)		(129,544)	
Short-term PFI and Lease liabilities		(22,915)		(5,450)	
Bank overdraft		(4,482)		(3,967)	
Long-term creditors		(416)		(6,175)	
Long-term borrowing		(1,116,497)		(966,894)	
Other long-term liabilities		(66,131)		(65,876)	
Total financial liabilities		**(1,479,053)**		**(1,417,415)**	

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

41. FAIR VALUE - ASSETS AND LIABILITIES continued

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

	Fair value level	31 March 2025		31 March 2024	
		Balance Sheet	Fair value	Balance Sheet	Fair value
		£000	£000	£000	£000
Financial assets held at fair value:					
Money market funds	1	55,339	55,339	38,497	38,497
Corporate, covered and government bonds	1	200	200	28,505	28,505
Subtotal		**55,539**	**55,539**	**67,002**	**67,002**
Assets for which fair value is not disclosed		199,568		202,094	
Total financial assets		**255,107**		**269,096**	
Recorded on balance sheet as:					
Short-term debtors		166,396		171,207	
Short-term investments		-		17,201	
Long-term debtors		33,172		30,887	
Long-term investments		200		11,304	
Cash and cash equivalents		55,339		38,497	
Total financial assets		**255,107**		**269,096**	

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

42. CONTINGENT LIABILITIES

A contingent liability is recognised when there is uncertainty about an obligation arising from a past event which might have otherwise supported a creditor or provision being recognised on the balance sheet. The existence of the obligation will only be confirmed by the occurrence or non-occurrence of future events that might be outside the council's control. Alternatively there might be uncertainty about the timing or amount of outflow of resources connected to the obligation which means it cannot be recognised as a creditor or provision in the accounts. In either case a contingent liability is disclosed in a note to the accounts.

i) As a result of ongoing reviews and investigations the council anticiptes that it might have to pay significant sums in order to fulfill its duties in relation to building safety. These reviews and investigations concern building safety across several sites in the borough including Devon Mansions, Canada Estate, and Kingswood as detailed in published documents from Southwark's Overview and Scrutiny Committee. The timing and amount of these transactions is uncertain and therefore a contingent liability is being disclosed.

43. CONTINGENT ASSETS

A contingent asset arises from past events that will give rise to economic inflow. The existence of the asset will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the council. Given this uncertainty an asset is not recognised on the balance sheet but is disclosed in a note to the accounts.

i) The council has contractual agreements with developers for overage whereby a proportion of profits made on certain projects above an agreed threshold will be paid to the council. In connection with the site within the Ayelsbury Estate development, the council considers that there is a good prospect that it could receive substantial amounts as part of these overage arrangements, depending on future events, for which a rough estimate can be made. In connection with sites within the Canada Water, Nunhead Green, and Penrose Street developments the council consideres that there is a fair prospect that it could receive overage but it cannot currently make any estimate of amounts.

ii) The council has several other agreements relating to housing and other projects in the borough, including development agreements, shared profit, and shared equity agreements. The council could be in line to receive significant sums depending on various uncertain future events.

iii) The council is currently in negotiations with a former major contractor of its leisure services and anticipates that a sum could be due to the authority at the conclusion of negotiations. While the amount can be estimated the transaction will only occur as a result of various uncertain future events which are not wholly within the council's control.

SUPPLEMENTARY FINANCIAL STATEMENTS

2024/25

HOUSING REVENUE ACCOUNT

COLLECTION FUND ACCOUNTS

PENSION FUND ACCOUNTS

HOUSING REVENUE ACCOUNT

2024/25

HOUSING REVENUE ACCOUNT

INCOME AND EXPENDITURE STATEMENT

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

	Note	2024/25 £000	2023/24 £000
Income			
Dwelling Rents		(250,126)	(222,356)
Non-dwelling rents		(7,341)	(6,682)
Charges for services and facilities		(89,640)	(76,727)
Contributions towards expenditure		(2,203)	(1,627)
Total Income		**(349,310)**	**(307,392)**
Expenditure			
Repairs and maintenance		36,926	75,931
Supervision and management		168,284	145,591
Rents, rates, taxes and other charges		14,916	13,640
Depreciation, impairment and revaluation losses of non-current assets	3	136,744	189,779
Debt management costs		2,986	356
Increase in provisions for bad debts		3,598	3,352
Revenue expenditure funded from capital under statute	4	597	857
Total expenditure		**364,051**	**429,506**
Net cost of HRA Services included in the Comprehensive Income and Expenditure Statement		**14,741**	**122,114**
HRA share of Corporate and Democratic Core		1,106	1,106
Net Cost of HRA Services		**15,847**	**123,220**
Gains and losses on the sales of HRA non-current assets		(28,214)	(22,938)
Interest payable and similar charges		38,680	33,440
Interest and investment income		(4,835)	(9,365)
Income, expenditure and changes in the fair value of investment properties	14	(7,095)	(560)
Pensions interest cost and expected return on pensions assets		(296)	(282)
Capital grants and contributions receivable		(22,696)	(63,750)
Total (surplus)/deficit for the year		**(8,609)**	**59,765**

The accompanying notes form an integral part of financial statement.

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

	Note	2024/25	2023/24
		£000	£000
(Surplus)/deficit for the year on HRA services		(8,609)	59,765
Adjustments between accounting basis and funding basis under regulations	5	4,672	(57,228)
Transfers (to)/from earmarked reserves		28	-
(Increase)/decrease in the HRA Balance		**(3,909)**	**2,537**
HRA Balance brought forward		(16,921)	(19,458)
Balance carried forward	6	**(20,830)**	**(16,921)**

The accompanying notes form an integral part of financial statement.

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

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

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of Dwelling		Number of bedrooms				Total	Total
		1	2	3+	Other	31 March 2025	31 March 2024
Houses and bungalows	**31 March 2025**	**366**	**723**	**2,896**	**-**	**3,985**	
	31 March 2024	362	721	2,889	-		**3,972**
Low rise flats	**31 March 2025**	**2,727**	**617**	**382**	**-**	**3,726**	
	31 March 2024	2,728	614	383	-		**3,725**
Medium rise flats	**31 March 2025**	**6,640**	**7,229**	**6,233**	**-**	**20,102**	
	31 March 2024	6,600	7,187	6,181	-		**19,968**
High rise flats	**31 March 2025**	**2,777**	**4,630**	**1,791**	**-**	**9,198**	
	31 March 2024	2,713	4,540	1,751	-		**9,004**
Multi-occupied	**31 March 2025**	**-**	**-**	**-**	**96**	**96**	
	31 March 2024	-	-	-	96		**96**
TOTALS	**31 March 2025**	**12,510**	**13,199**	**11,302**	**96**	**37,107**	
TOTALS	**31 March 2024**	**12,403**	**13,062**	**11,204**	**96**		**36,765**

In addition to the numbers shown in the table above, as at 31 March 2025 there were also 1,057 void properties (1,043 at 31 March 2024). These are mostly decanted properties within the major redevelopment projects currently underway; but whilst having been made secure, they have not yet been demolished.

The vacant possession value of buildings as at 31 March 2025 was £13.8bn (£13.2bn as at 31 March 2024). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

3. DEPRECIATION AND REVALUATION CHARGES

	2024/25	2023/24
	£000	£000
Dwellings depreciation	44,129	44,594
Other property depreciation	2,300	2,263
Revaluation losses on non-current assets	90,316	142,922
Total	**136,745**	**189,779**

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

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

In 2024/25 £0.597 million was incurred in the HRA as REFCUS (£0.857 million in 2023/24).

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

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

	2024/25	2023/24
	£000	£000
Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute	824	824
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(58)	(16)
Gain or loss on the sale of HRA non current assets	28,351	22,938
HRA share of contributions (to)/from the Pensions Reserve	2,124	1,568
Capital expenditure funded by the HRA	41,450	3,223
Transfer to/(from) the Major Repairs Reserve	46,444	46,857
Transfer to/(from) the Capital Adjustment Account	(114,463)	(132,622)
Net amount required by statute to be charged to/(excluded from) the HRA	**4,672**	**(57,228)**

6. HRA BALANCE

HRA reserves as at 31 March 2025 of £20.831 million (£16.921 million as at 31 March 2024) are allocated as follows:

	31 March 2025	31 March 2024
	£000	£000
Modernisation, Service and Operational Improvement Reserve	(6,481)	-
Financial Risk Reserve	(14,350)	(16,921)
Total	**(20,831)**	**(16,921)**

The financial risk reserve of £14.3m includes £7.5m of general contingency, £5.6m of debt financing contingency and £1.3m to self-insure against catastropic risks pertaining to the housing stock. The transformation, service and operating reserve of £6.5m comprises earmarked sums for estate parking £0.2m, great estates £0.2m, resident participation £0.4m, discretionary housing payments (DHP) £0.5m, and £0.9m to support the transformation of IT and the repairs service. The principle element £4.3m represents the HRA operating balance that is provisionally earmarked to mitigate the estimated cost of backlog works that have arisien and are to be addressed this financial year.

7. MAJOR REPAIRS RESERVE

	2024/25	2023/24
	£000	£000
Balance 1 April	-	-
Transfers from the Capital Adjustment Account	(46,444)	(46,857)
Transfer to (from) the HRA	-	-
Financing of capital expenditure	46,444	46,857
Balance 31 March	**-**	**-**

8. CAPITAL EXPENDITURE AND FINANCING

	2024/25	2023/24
	£000	£000
Capital Investment		
Non-current assets	202,377	330,351
REFCUS	597	857
Total	**202,974**	**331,208**
Funding Source:		
Revenue contributions	(40,000)	(3,223)
Capital receipts from the sales of assets	(51,729)	(25,568)
Grants and other contributions	(22,696)	(63,750)
Major Repairs Reserve	(46,444)	(46,857)
Borrowing	(42,105)	(191,810)
Total	**(202,974)**	**(331,208)**

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

	2024/25	2023/24
	£000	£000
Council dwellings		
Right to Buy	(18,038)	(11,273)
Non Right to Buy	(20,787)	(5,727)
Other receipts		
Land sales	(9,969)	(10,345)
Mortgages	-	(3)
Sub total	**(48,794)**	**(27,348)**
Less: Pooled (paid to central Government)	-	-
Total	**(48,794)**	**(27,348)**

10. HOUSING TENANTS ACCOUNTS

	2024/25	2023/24
	£000	£000
Gross arrears as at 1 April	34,563	31,279
Prior year payments	(13,539)	(13,845)
Arrears as at 1 April	**21,024**	**17,434**
Charges due in the year	295,546	263,954
Rent rebates	(70,272)	(66,325)
Write-offs	(2,933)	(2,155)
Adjustments	(8,201)	(7,386)
Cash collected	(210,131)	(184,498)
Net arrears as at 31 March	**25,033**	**21,024**
Payments in advance	13,473	13,539
Gross arrears as at 31 March	**38,506**	**34,563**

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

11. IMPAIRMENT OF DEBTORS

	2024/25	2023/24
	£000	£000
Rents	(20,205)	(18,605)
Income from hostels	(3,711)	(2,216)
Court costs	(926)	(900)
Commercial rents	(3,789)	(3,710)
Penalty Charge Notices and parking warrants	(4,926)	(4,687)
Total	**(33,558)**	**(30,118)**

12. PENSIONS COSTS

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

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

	2024/25	**2023/24**
	£000	**£000**
Current service cost less contributions	(1,828)	(1,286)
Interest on pension scheme liabilities	(296)	(282)
Actuarial (gains)/losses	2,127	1,585
Movement on the Pensions Reserve	**3**	**17**
Add Pension contributions attributable to the HRA	12,034	10,488
Total IAS 19 charges	**12,037**	**10,505**

13. WATER CHARGES

In March 2016, the High Court (Chancery Division) found against the council in the matter of charging a tenant for water supplies (via Thames Water), contrary to the Water Resale Order 2006. Refunds to current and former tenants affected by the judgement commenced in 2016-17, and the council made appropriate provision in its accounts for this purpose and continues to do so. The balance on the water refund provision as at 31 March 2025 was £0.953m (31 March 2024 was £0.953m).

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

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

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

The net gain/(loss) included in the HRA Income and Expenditure Statement in 2024/25 is £7.095m (net gain of £0.56m in 2023/24).

COLLECTION FUND ACCOUNTS

2024/25

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT

	Notes	Council Tax	Business Rates	Business Rates Supplement	2024/25	2023/24
		£000	£000	£000	£000	£000
Income						
Income from Council Tax	1	(197,375)			(197,375)	(183,252)
Transfer from the General Fund		(365)			(365)	(319)
Income from Business Rates	2		(314,519)		(314,519)	(282,756)
Transitional protection payments from DLUHC			(12,174)		(12,174)	(24,226)
Income from Business Rate Supplement (BRS)	3			(9,926)	(9,926)	(9,959)
Contribution from preceptors towards previous years Collection Fund deficit	4	(3,967)	(6,409)		(10,376)	(17,555)
Total Income		**(201,707)**	**(333,102)**	**(9,926)**	**(544,735)**	**(518,067)**
Expenditure						
Precepts and Demands						
Greater London Authority (GLA)		52,875			52,875	47,397
London Borough of Southwark		148,236			148,236	137,426
Share of Business Rates						
Greater London Authority (GLA)			126,755		126,755	122,609
London Borough of Southwark			102,774		102,774	99,412
Department of Levelling Up, Housing and Communities (DLUHC)			113,051		113,051	109,354
Transitional protection payment to DLUHC			-		-	-
Cost of Collection allowance (NNDR)			755		755	761
Business Rate Supplement (BRS):	3					
Payment to GLA				9,910	9,910	9,942
Administrative costs				16	17	17
Council Tax impairment of debts:						
Increase/(decrease) allowance for non-collection		6,732			6,732	2,822
Write Offs		909			909	399
NDR Impairment of debts & appeals:						
Increase/(decrease) allowance for non-collection			(442)		(442)	(119)
Write Offs			(18)		(18)	1,987
Provision for appeals	5		11,357		11,357	(12,993)
Contribution to preceptors towards previous years Collection Fund surplus	4	-	-		-	410
Total Expenditure		**208,752**	**354,232**	**9,926**	**572,911**	**519,424**
Net deficit/(surplus) for the year		7,045	21,130	-	28,175	1,357
Deficit/(surplus) at 1 April		6,194	17,258	-	23,452	22,095
Deficit/(Surplus) at 31 March		**13,239**	**38,388**	**-**	**51,627**	**23,452**

The accompanying notes form an integral part of financial statement.

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

In 2024/25 the estimated income required from all preceptors for the Collection Fund was £201.1m (2023/24 £184.8m). The amount of council tax for a band D property was £1,792.98 in 2024/25 inclusive of the GLA precept (2023/24 £1,692.92) and is multiplied by the ratio specified for the particular band to give the council tax due from properties in those bands. The 2024/25 council tax base after allowing for adjustments for non-collection (97.2% collection rate) was 112,166.

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

Band	Estimated number of properties after discounts		Ratio	Equivalent number of band D properties	
	2024/25	**2023/24**		**2024/25**	**2023/24**
A	8,267	8,289	6/9	5,511	5,526
B	27,408	27,418	7/9	21,317	21,325
C	28,086	27,579	8/9	24,965	24,515
D	23,347	22,381	9/9	23,347	22,381
E	17,674	16,832	11/9	21,601	20,573
F	6,867	6,552	13/9	9,919	9,464
G	4,294	4,203	15/9	7,157	7,005
H	790	765	18/9	1,580	1,530
Total	**116,733**	**114,019**		**115,397**	**112,319**
Less adjustment for collection rate				(3,231)	(3,145)
Council Tax Base for year				**112,166**	109,174
Estimated Income Required from Collection Fund				**£ 201,111,394**	£ 184,822,848
Band D Council Tax				**£ 1,792.98**	£ 1,692.92

2. NON-DOMESTIC RATES

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

For 2024/25, the regulations meant the council could retain 30% business rates income, with the remainder allocated to the Greater London Authority at 37% and the Ministry of Housing, Communities and Local Government (MHCLG) 33%.

Business rates are based on local rateable values set by the Valuation Office Agency (VoA) and a multiplier set by central government. The non-domestic rating multiplier and the small business non-domestic rating multiplier for England in 2024/25 were:

i) the standard multiplier was 54.6p (2023/24 51.2p)

ii) the small business multiplier was 49.9p (2023/24 49.9p)

Local businesses pay NDR calculated by multiplying their rateable value (RV) by the appropriate multiplier and subtracting any relevant reliefs. The total VoA rateable value in Southwark at 31 March 2025 was £815.4m (at 31 March 2024 £815.4m).

3. BUSINESS RATE SUPPLEMENT

Business rate supplements (BRS) are collected from local businesses by the council, on behalf of the GLA for the Crossrail project in London. For 2024/25, the levy remains set at 2p per pound of rateable value (RV), (unchanged since its inception in 2010) on non-domestic properties with a rateable value greater than £75,000. The threshold increased from £70,000 to £75,000 in 2023/24, reflecting the impact of the 2023 business rates revaluation.

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

As a billing authority, the council is required to make an estimate of the surplus or deficit for the Collection Fund; for council tax by the 15 January and for non-domestic rates by 31 January each year. The estimated surplus or deficit is used in setting the council tax for the following year, by reducing council tax if there is a surplus or increasing council tax if there is a deficit. In January 2024 the Council estimated a Council Tax deficit of £3.967m and NDR deficit of £6.409m for 2023/24, as follows:

	Council Tax	Business Rates	Total
	£000	£000	£000
(Surplus) / Deficit as at 31 March 2023	1,311	20,784	22,095
Estimated in-year (surplus)/deficit for 2023/24	2,656	(14,375)	(11,719)
Estimated (surplus) / deficit as at 31 March 2024	**3,967**	**6,409**	**10,376**

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

Authority	Council Tax		Business Rates		Total
	%	£000	%	£000	£000
Southwark Council	74.36	2,950	30	1,923	4,873
Greater London Authority	25.64	1,017	37	2,371	3,388
Central Government			33	2,115	2,115
Estimated (surplus) / deficit for 2023/24 redistributed in 2024/25		**3,967**		**6,409**	**10,376**

5. PROVISION FOR BUSINESS RATE APPEALS

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

As at 31 March 2025, 428 appeals cases remain unsettled and outstanding with the VoA. Following the 2023 revaluation, a check, challenge, and appeals policy was introduced by central government to reform the business rates appeals system applicable to the new rating list effective on 1 April 2023. The check and challenge system is designed to make the business rates appeals assessment and application process more stringent to reduce the level of unsubstantiated appeals lodged with the VoA.

The provision for alteration of lists and appeals as at 31 March 2025 is £31.4m (£20m as at 31 March 2024), a increase of £11.4m based on consideration of recent case law, potential unlodged appeals cases and other factors including check and challenge cases information from the VoA - Southwark council's share being £9.4m.

Share of provision	Southwark Council	GLA	MHCLG	Total
	30%	37%	33%	100%
	£m	£m	£m	£m
2024/25	9.4	11.6	10.4	**31.4**
2023/24	6.0	7.4	6.6	**20.0**

PENSION FUND ACCOUNTS

2024/25

LONDON BOROUGH OF SOUTHWARK PENSION FUND STATEMENT OF ACCOUNTS

FUND ACCOUNT

	Note	2024-25		2023-24	
		£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund					
Contributions	7	(74,225)		(68,208)	
Transfers in from other pension funds	8	(8,016)		(5,489)	
Subtotal			**(82,241)**		**(73,696)**
Benefits	9	81,308		74,953	
Payments to and on account of leavers	10	8,380		6,001	
Subtotal			**89,688**		**80,954**
Net reduction/(addition) from dealing with members of the fund			**7,447**		**7,257**
Management expenses	11		15,046		7,807
Net additions including fund management expenses			**22,493**		**15,064**
Returns on investments					
Investment income	12	(46,547)		(23,663)	
Taxes on income	12	281		(489)	
Profit and losses on disposal of investments and changes in market value of investments	14a	(1,284)		(166,609)	
Net return on investments			**(47,550)**		**(190,761)**
Net (increase)/decrease in the net assets available for benefits during the year			**(25,057)**		**(175,697)**
Opening net assets of the scheme			(2,236,183)		(2,060,487)
Net assets of the scheme available to fund benefits as at 31 March			**(2,261,240)**		**(2,236,183)**

NET ASSETS STATEMENT

	Note		31 March 2024 £000		31 March 2023 £000
Long Term Investments			150		150
Investment assets	14		2,261,790		2,226,113
Total Net Investments			**2,261,940**		**2,226,263**
Current assets	21		2,298		18,337
Current liabilities	22		(2,998)		(8,417)
Net assets of the scheme available to fund benefits as at 31 March			**2,261,240**		**2,236,183**

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

NOTES TO THE PENSION FUND STATEMENTS

1. DESCRIPTION OF THE FUND

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

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

a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:
- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended).

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

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

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

b) Membership

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

Organisations participating in the fund include:

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

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

Membership details for the fund are set out below:

	31 March 2025	**31 March 2024**
Number of contributors to the fund	9,596	7,311
Number of contributors and dependants receiving allowances	8,979	8,738
Number of contributors who have deferred their pensions	9,009	8,860
Total contributors	**27,584**	**24,909**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2025. Employee contributions are matched by employers' contributions, which are set in accordance with the triennial actuarial funding valuations, the last being at 31 March 2022. For the 2024-25 financial year primary employer contribution rates ranged from 18.3% to 28.9% of pensionable pay, plus additional deficit payments where appropriate.

d) Benefits

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

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

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

2. BASIS OF PREPARATION

The Statement of Accounts summarises the fund's transactions for the 2024-25 financial year and its year-end position as at 31 March 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting ("the Code") in the United Kingdom 2024-25, which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector. The accounts have been prepared on a going concern basis.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. The new standards issued but not yet adopted by the Code for 2024-25 are: *IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)* issued in August 2023 and *IFRS 17 Insurance Contracts* issued in May 2017. These new accounting standards are expected to have little or no impact for LGPS fund accounts.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

Fund Account – Revenue Recognition

a) Contributions income

Normal contributions are accounted for on an accruals basis as follows:
- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

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

Employer deficit funding contributions are accounted for on the due dates on which they are due under the schedule of contributions set by the actuary or on receipt if earlier than the due date.

b) Transfers to and from other schemes

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

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

c) Investment income

i) Interest income is recognised in the fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iii) Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current investment asset.

iv) Property related income consists primarily of rental income. Rental income from operating leases on properties owned by the fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits and/or losses during the year.

d) Fund account – benefits payable

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

e) Management expenses

The Fund discloses its management expenses in line with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)* . All items of expenditure are charged to the fund on an accruals basis.

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

f) Fund account – taxation

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

Net Asset Statement

g) Financial assets

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

A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the fund. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. Details of the basis of valuation and disclosure levels within the fair value hierarchy are provided at note 16. Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.

h) Freehold and leasehold property

The independent valuation of the direct property portfolio managed on behalf of the fund by Nuveen Investment Management is carried out by Knight Frank LLP. The valuer is a member firm of the Royal Institute of Chartered Surveyors (RICS) and the valuation was at 31 March 2025. All properties are included in the accounts at fair value as at 31 March each year.

i) Foreign Currency Transactions

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

j) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions that are repayable on demand without penalty. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

l) Loans and Receivables

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

m) Financial liabilities

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

n) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the accounts (note 20).

o) Additional voluntary contributions

The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. AVC assets are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 23.

p) Contingent assets and contingent liabilities

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

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

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies in note 3 the council has had to make critical judgements about complex transactions and those involving uncertainty about future events. During 2024-25 critical judgements were made regarding directly held property, details of which are set out below.

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of retirement benefits	This applies to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The actuarial firm, Aon is engaged to provide the Fund with expert advice about the assumptions.	The approximate impacts of changing the key assumptions on the present value of retirement benefits are: - a 0.1% change in the discount rate would be +/- £23.1m - a 0.1% change in the rate at which salaries are projected to increase would be +/- £1.7m - a 0.1% change in the rate of pension increase would be +/- £21.5m - a one year change in mortality assumptions would be
Freehold and leasehold property	Valuation techniques are used to determine the carrying amount of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property.	The effect of variations in the factors supporting the valuation, estimated to be 6% would see an increase or decrease in the value of directly held property of £14.9m on a fair value of £248.3m.
Property pooled funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data, but where this is not possible, management uses the best available data.	The effect of variations in the factors supporting the valuation, estimated to be 6% would see an increase or decrease in the value of pooled property funds of £7.4m on a fair value of £122.5m.

6. EVENTS AFTER THE REPORTING DATE

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

7. CONTRIBUTIONS RECEIVABLE

By category

	2024-25 £000	2023-24 £000
Employee's Contributions	(18,269)	(16,788)
Employer's Contributions		
Normal	(53,574)	(48,554)
Deficit funding	301	(1,714)
Early retirement strain	(2,683)	(1,152)
Total contributions from employers	**(55,956)**	**(51,420)**
Total	**(74,225)**	**(68,208)**

By type of employer

	2024-25			2023-24		
	Employees £000	Employers £000	Total £000	Employees £000	Employers £000	Total £000
Southwark Council	(16,229)	(49,486)	(65,714)	(14,847)	(46,398)	(61,245)
Admitted Bodies	(250)	(874)	(1,125)	(248)	(736)	(984)
Scheduled Bodies	(1,790)	(5,596)	(7,386)	(1,693)	(4,286)	(5,979)
Total	**(18,269)**	**(55,956)**	**(74,225)**	**(16,788)**	**(51,420)**	**(68,208)**

8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds were as follows:

	2024-25 £000	2023-24 £000
Individual transfers	(8,016)	(5,489)
Total	**(8,016)**	**(5,489)**

9. BENEFITS PAYABLE

By category

	2024-25 £000	2023-24 £000
Pensions	67,302	61,626
Commutation of pensions and lump sum retirement benefits	12,338	12,063
Lump sum death benefits	1,668	1,264
Total	**81,308**	**74,953**

By type of employer

	2024-25 £000	2023-24 £000
London Borough of Southwark	76,977	70,492
Admitted bodies	2,795	2,872
Scheduled bodies	1,536	1,589
Total	**81,308**	**74,953**

10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024-25 £000	2023-24 £000
Refund of contributions	122	90
Individual transfers out to other schemes	8,258	5,911
Total	**8,380**	**6,001**

11. MANAGEMENT EXPENSES

	2024-25 £000	2023-24 £000
Administrative costs **	3,266	3,511
Investment and management expenses *	10,723	4,051
Oversight and governance costs **	1,057	245
Total	**15,046**	**7,807**

The council incurred costs of £1m (2023-24 £0.9m) in relation to the administration and governance of the fund during the year and was reimbursed by the fund for these expenses.

* In the interests of greater transparency, the council discloses its fund management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Expenses (2016)* . In line with the guidance, investment management expenses have been grossed up to include fees deducted from fund assets at source. The adjustment of 2023-24 by an additional £4,945k investment costs is carried out retrospectively and has an equal impact on investment management expenses and the change in market value of investments. The overall net assets of the fund remain as reported last year.

** To align more closely with the guidance, certain items of expenditure have been re-classified between categories for 2023-24. In last year's accounts, administrative costs were £3,511k, investment management expenses £4,051k and oversight and governance costs £245k. These costs have been reanalysed to £2,774k, £4,176k and £857k respectively (before the adjustment for investment fees deducted at source) to assist comparability with the current year.

12. INVESTMENT INCOME

	2024-25 £000	2023-24 £000
Dividends from equities	(4,750)	(2,689)
Pooled funds	(28,538)	(10,800)
Pooled property funds	(2,441)	(1,858)
Net rental income from properties	(10,773)	(8,302)
Interest on cash deposits	(45)	(14)
Total before taxes	**(46,547)**	**(23,663)**
Taxes on income	281	(489)
Total after taxes	**(46,266)**	**(24,152)**

12a. PROPERTY INCOME

	2024-25 £000	2023-24 £000
Rental Income	(13,003)	(10,709)
Direct operating expenses	2,231	2,408
Net rent from properties	**(10,772)**	**(8,302)**

13. EXTERNAL AUDIT COSTS

	2024-25 £000	2023-24 £000
Payable in respect of external audit	86	75
Total	**86**	**75**

Local Government audit fees are set by the Public Sector Audit Appointments body (PSAA). The scale audit fee set out in the PSAA contract for the 2024-25 audit is £86k.

14. INVESTMENT ASSETS

	31 March 2025 £000	31 March 2024 £000
Long Term Investments		
Equities	150	150
Total	**150**	**150**
Investment Assets		
Equities	235,825	313,576
Pooled Funds		
Equities	91,993	94,974
Property	122,520	129,685
Infrastructure	230,921	218,256
Private Equity	60,066	56,471
Multi Asset Credit	219,440	205,828
Liquidity and Money Market Funds	14,658	18,304
Unitised Insurance Policy		
Fixed Income	230,093	153,080
Equities	794,395	815,427
Property	248,300	218,775
Other investment balances	13,579	1,738
Total Investment Assets	**2,261,790**	**2,226,113**
Net Investments	**2,261,940**	**2,226,263**

* Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets.

14a. RECONCILIATION OF MOVEMENTS IN INVESTMENTS

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

	Opening balance	Purchases	Sales	Change in market value	31 March 2025
	£000	**£000**	**£000**	**£000**	**£000**
Long term investment	150	-	-	-	150
Equities	313,576	108,715	(183,378)	(3,088)	235,825
Pooled funds	575,530	37,960	(636)	(10,434)	602,420
Pooled property funds	129,685	2,719	(1,034)	(8,850)	122,520
Unitised insurance policy	968,505	94,681	(61,250)	22,552	1,024,488
Property	218,775	22,874	-	6,651	248,300
Liquidity Funds/Money Market Funds	18,304	165,335	(169,213)	232	14,658
	2,224,525	**432,284**	**(415,511)**	**7,063**	**2,248,361**
Derivatives - forward currency contracts	**-**	210	(533)	323	-
	2,224,525	**432,494**	**(416,044)**	**7,386**	**2,248,361**
Other investment balances	1,738	-	-	(6,102)	13,579
Total	**2,226,263**	**432,494**	**(416,044)**	**1,284**	**2,261,940**

Forward currency contracts settlements are reported as gross receipts and payments.

	Opening balance	Purchase	Sales	Change in market value	31 March 2024
	£000	**£000**	**£000**	**£000**	**£000**
Equities	267,242	313,964	(310,348)	42,717	313,576
Pooled funds	619,206	228,914	(269,783)	(2,806)	575,530
Pooled property funds	89,938	50,036	(349)	(9,939)	129,685
Unitised insurance policies	820,971	761,162	(761,166)	147,539	968,505
Property	194,310	35,960	1,677	(12,502)	218,775
Liquidity and money market funds	45,924	78,042	(107,262)	1,600	18,304
	2,037,590	**1,468,078**	**(1,447,232)**	**166,609**	**2,224,375**
Other investment balances	1,542	-	-	-	1,738
Total	**2,039,132**	**1,468,078**	**(1,447,232)**	**166,609**	**2,226,113**

As disclosed in note 11 above, this year's retrospective adjustment of £4,945k to 2023-24 investment management expenses has an equal and opposite impact on change in market value of investments. Last year's accounts reported change in market value of investments at £166,609k. This restatement does not affect the total valuation of assets or the financial position of the fund.

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

The independent valuation of direct property managed by Nuveen Investment Management is carried out by Knight Frank LLP. The valuer is RICS qualified and the valuation is at 31 March 2025. All properties have been valued at market value.

The fund's Investment Strategy Statement can be accessed on the council’s website.

14b. INVESTMENTS ANALYSED BY FUND MANAGER

The market value of assets managed by the investment managers at the balance sheet date 31 March 2025 is set out in the table below.

	31 March 2025		31 March 2024	
	£000	%	£000	%
BlackRock	529,531	24%	526,168	24%
Blackstone	60,066	2%	56,471	3%
Brockton Capital	9,130	0%	8,528	0%
BTG Pactual	38,362	2%	36,665	2%
Comgest	91,993	4%	94,974	4%
Darwin	41,078	2%	47,753	2%
Frogmore	3,252	0%	5,062	0%
Glennmont	47,637	2%	30,878	1%
Invesco	46,228	2%	46,412	2%
LCIV CQS	108,730	5%	100,000	4%
Legal and General Investment Managers	516,002	23%	467,839	21%
M&G	43,521	2%	42,629	2%
Newton Investment Management	246,236	11%	313,561	14%
Nuveen	253,099	11%	224,345	10%
Robeco	110,710	5%	105,828	5%
Temporis	101,557	5%	102,532	5%
Legal and General Investment Managers SLF	5,021	0%	5,117	0%
Northern Trust MMF	2,196	0%	4	0%
Blackrock MMF	7,441	0%	9,608	0%
Total with managers	**2,261,790**	**100%**	**2,224,375**	**100%**
Blackrock MMF	150		150	
Total with managers	**2,261,940**		**2,224,525**	

The following investments represent more than 5% of investment assets at 31 March 2025.

Name of investment	Fund manager	31 March 2025	% of investment assets	31 March 2024	% of investment assets
		£000	%	£000	%
World Low Carbon Target	BlackRock	401,083	18%	407,147	18%
Global Equities	Newton		0%	313,561	14%
Direct Property	Nuveen		0%	218,775	10%
Low Carbon Transition	Legal and General	393,311	17%	408,280	18%
Multi Asset Credit	LCIV CQS	108,730	5%	100,000	4%
Multi Asset Credit	Robeco	110,710	5%	105,828	5%
Fixed Income - unitised insurance	Legal and General	122,690	5%	-	0%
Fixed Income - unitised insurance	BlackRock	107,403	5%	-	0%
Absolute Return Bond Fund	BlackRock	-	0%	-	0%

14c. PROPERTY HOLDINGS

The fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. Details of these properties are as follows:

	31 March 2025 £000	31 March 2024 £000
Opening balance	**218,775**	**194,310**
Additions:		
Purchases	17,891	3,512
Subsequen	4,983	32,448
Disposals	-	(2,276)
Net increase in	6,651	(9,219)
Closing Balance	**248,300**	**218,775**

15. ANALYSIS OF DERIVATIVES

The fund does not currently have exposure to derivatives

16. FAIR VALUE HIERARCHY

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

Level 1 assets are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2 assets are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 assets are those where at least one input that could have a significant effect on the instruments valuation is not based on observable market data.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Quoted equities	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Cash and cash equivalents	Level 1	Carrying value is deemed to be fair value because of the short term nature of these financial instruments	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments – unit trusts	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Pooled Investments - property funds	Level 3	Closing single price at end of accounting period	NAV based pricing valued in accordance with RICS red book valuation standards.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices
Pooled Investments - infrastructure	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	Purchase price at acquisition for newer or non-operational assets, estimated cash flows, government price support	Market prices and cash yields, government policies on energy subsidies, pace of shift to renewable and clean energy, discount rates
Pooled investments - private equity	Level 3	Based upon the fund's share of net assets in the limited partnership using latest valuations updated for cash flows	NAV based pricing set on a forward pricing basis. Cashflow transactions, i.e.distributions of capital	Material events between date of financial statements provided and the pension fund's own reporting date. Differences between audited and unaudited accounts
Unitised insurance policies	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	Net assets value (NAV) based pricing set on a forward pricing basis	Not required
Freehold, leasehold properties	Level 3	Valued at fair value at the year-end by independent valuers. Valued in accordance with RICS red book valuation standards	Existing lease terms and rentals; Independent market research; Nature of tenancies; Covenant strength for existing tenants; Assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes to market prices

16a. FAIR VALUE HIERARCHY

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

Value as at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	235,825	150	-	**235,975**
Pooled Funds				
Fixed Income	-	-	-	**-**
Equities	-	91,993	-	**91,993**
Multi Asset Credits	-	219,440	-	**219,440**
Property	-	-	122,520	**122,520**
Infrastructure	-	-	230,921	**230,921**
Private Equity	-	-	60,066	**60,066**
Other	-	14,658		**14,658**
Unitised Insurance Policy				
Fixed Income	-	230,093	-	**230,093**
Equities	-	794,395	-	**794,395**
Other investment balances	13,579			**13,579**
Total Financial Assets	**249,404**	**1,350,729**	**413,507**	**2,013,640**
Non-financial assets at fair value through profit and loss				
Property	-	-	248,300	**248,300**
Grand Total	**249,404**	**1,350,729**	**661,807**	**2,261,940**

Value as at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets at fair value through profit and loss				
Equities	313,576	150	-	**313,726**
Pooled Funds				
Fixed Income	-	-	-	**-**
Equities	-	94,974	-	**94,974**
Diversified Growth	-	205,828	-	**205,828**
Property	-	-	129,685	**129,685**
Infrastructure	-	-	218,256	**218,256**
Private Equity	-	-	56,471	**56,471**
Other	-	18,304		**18,304**
Unitised Insurance Policy				
Fixed Income	-	153,080	-	**153,080**
Equities	-	815,427	-	**815,427**
Total Financial Assets	**313,576**	**1,287,763**	**404,412**	**2,005,750**
Non-financial assets at fair value through profit and loss				
Property	-	-	218,775	**218,775**
Total	**313,576**	**1,287,763**	**623,187**	**2,224,525**

16b. TRANSFERS BETWEEN LEVELS

There were no transfers between levels during the year.

16c. RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

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

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2025 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	129,685	2,719	(1,034)	(692)	(8,158)	**122,520**
Infrastructure	218,256	32,052	(635)	635	(19,387)	**230,921**
Private Equity	56,471	-	-	-	3,595	**60,066**
Non-financial assets at fair value through profit and loss						
Property	218,775	22,874	-	-	6,651	**248,300**
Total	**623,187**	**57,645**	**(1,669)**	**(57)**	**(17,299)**	**661,807**

	Opening balance £000	Purchase £000	Sales £000	Realised gain/(loss) £000	Unrealised gain/(loss) £000	31 March 2024 £000
Financial assets at fair value through profit and loss						
Pooled Funds						
Property	93,636	50,036	(349)	(312)	(9,750)	**133,260**
Infrastructure	190,370	18,204	(1,013)	213	10,482	**218,256**
Private Equity	50,363	8,921	-	-	(2,813)	**56,471**
Non-financial assets at fair value through profit and loss						
Property	194,310	35,960	1,677	-	(12,502)	**219,445**
Total	**528,679**	**113,121**	**315**	**(99)**	**(14,583)**	**627,432**

Sensitivity of assets valued at level 3

Having analysed historical data, information received from valuers and the valuation techniques of fund managers, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges:

Value as at 31 March 2025	Assessed valuation range	Valuation as at 31 March 2025 £000	Value on increase £000	Value on decrease £000
Pooled Funds				
Property	6.0%	122,520	129,871	115,169
Infrastructure	7.3%	230,921	247,778	214,064
Private Equity	7.3%	60,066	64,451	55,681
Property	6.0%	248,300	263,198	233,402
Total		**661,807**	**705,298**	**618,316**

17. CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

		31 March 2025 £000	31 March 2024 £000
Financial assets			
	Fair value through profit and loss		
	Equities	235,975	313,726
	Pooled Investments	617,078	593,833
	Pooled Property Investments	122,520	129,685
	Unitised Insurance Policy	1,024,488	968,506
	Amortised cost		
	Cash	670	3,105
	Other Investment Balances	13,579	1,738
	Debtors	1,628	918
Total		**2,015,938**	**2,011,510**
Financial liabilities			
	Amortised cost		
	Creditors	(2,998)	(5,656)
Net Total		**2,012,940**	**2,005,854**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Risk and risk management

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

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

Market risk

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

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

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

Price risk

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

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

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

2024-25 - asset type	**31 March 2025**	**Change**	**Value on increase**	**Value on decrease**
	£000	**%**	**£000**	**£000**
Fixed Income	230,093	7.2%	246,660	213,526
Equities	1,122,363	11.8%	1,254,802	989,924
Multi Asset Credit	219,440	7.3%	235,459	203,421
Property	370,820	6.0%	393,069	348,571
Infrastructure	230,921	7.3%	247,778	214,064
Private Equity	60,066	7.3%	64,451	55,681
Liquidity and Money Market Funds	14,658	0.9%	14,790	14,526
Other Investment balances	13,579	0.9%	13,701	13,457
Total	**2,261,940**		**2,470,710**	**2,053,170**

2023-24 - asset type	**31 March 2024**	**Change**	**Value on increase**	**Value on decrease**
	£000	**%**	**£000**	**£000**
Fixed Income	153,080	5.4%	161,346	144,814
Equities	1,224,127	7.9%	1,320,833	1,127,421
Diversified Growth	205,828	5.9%	217,972	193,684
Property	129,685	6.6%	138,244	121,126
Infrastructure	218,256	8.1%	235,935	200,577
Private Equity	56,471	11.8%	63,135	49,807
Other	18,304	3.9%	19,018	17,590
Total	**2,005,750**		**2,156,482**	**1,855,019**

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

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

Interest rate risk

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

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

Assets exposed to interest rate risks	Market value	Value on 1% rate increase	Value on 1% rate decrease
	£000	£000	£000
As at 31 March 2025	**230,093**	232,394	227,792
As at 31 March 2024	**153,080**	154,610	151,549

Currency risk

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

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

Overseas equities, fixed interest securities and futures, cash in foreign currencies and some elements of pooled investment vehicles are exposed to currency risk. The following table demonstrates the change in value of assets exposed to currency risk had there been a 5.4% strengthening or weakening of the pound against foreign currencies.

Assets exposed to currency risk	Value	Change	Value on foreign exchange rate increase	Value on foreign exchange rate decrease
	£000	%	£000	£000
As at 31 March 2025	**374,901**	5.4%	395,146	354,656
As at 31 March 2024	**429,167**	5.6%	453,200	405,134

Credit risk

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

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

Liquidity risk

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

The fund currently has two banking arrangements. One is the bank account held by the global custodian which holds cash relating to investment activities, the other is the pension fund linked bank current and deposit account arrangement which holds the cash relating to member activities.

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

19. FUNDING ARRANGEMENTS

Statement of the Actuary for the year ended 31 March 2025

Introduction

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

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

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £2,125.4m) covering 109% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (including ill-health early retirements) will be made to the Fund by the employers.

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

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2023	21.1	-
2024	20.3*	-
2025	20.3*	-

*The rates have been updated from those quoted in the 2022 valuation report to reflect the revision of the contribution rate payable from 1 April 2024 for the employer London Borough of Southwark and the employers grouped with London Borough of Southwark.

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and individual employers' recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances. This included an agreement that where employers are in surplus, this has only led to an adjustment in contributions to the extent that this surplus is in excess of 10% of the value of that employer's liabilities (i.e. to the extent that the employer's funding level is greater than 110%).

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

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

The assets were valued at market value.

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

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

6. The valuation results summarised in paragraph 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address: https://southwarkpensions.co.uk/media/o43hrk0o/actuarial-valuation-report

10. The valuation report refers to Aon's approach to some benefit uncertainties in the 2022 valuation which have since been resolved:
    - The Local Government Pension Scheme (Amendment) (No. 3) Regulations 2023 were laid on 8 September 2023 and came int effect from 1 October 2023. These regulations set out the McCloud remedy for the LGPS in England and Wales. The remedy is consistent with Aon's expectations and the approximate allowance made for McCloud liabilities in the 2022 valuation.
    - The Judicial Review relating to the 2016 cost management valuation and the 2020 cost management valuation process have bot been concluded and the outcome is that there are no resulting additional costs falling on the Fund (and ultimately employers). This outcome is in line with the approach taken in the 2022 valuation.

    Other benefit uncertainties remain as set out in the 2022 valuation report.

11. The Government Actuary's Department carries out a review of all LGPS pension fund valuations in England and Wales under Section 13 of the Public Service Pensions Act to ensure they are in compliance with the Regulations and to assess whether the valuations are being carried out in a not inconsistent way and in line with the aims of solvency and long-term cost efficiency.

The review for the 2022 valuations was completed in August 2024 and the official summary report and the documents containing the statistics comparing the valuation results across funds are available from the following website: https://www.gov.uk/government/publications/lgps-ew-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2022. The London Borough of Southwark Pension Fund did not receive any "flags" in relation to the approach and outcomes of the 2022 valuation in the Section 13 review.

In addition, all LGPS fund valuation reports and the LGPS Scheme Advisory Board's (SAB's) summary of the 2022 valuations can be found on the SAB's website at the following link: https://www.lgpsboard.org/index.php/fund-valuations-2022

20. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

As required by *IAS 26 Accounting and Reporting by Retirement Benefit Plans*, in addition to the triennial valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities every year using assumptions in line with IAS 19 to provide an estimate of the actuarial present value of promised retirement benefits.

As an actuarial valuation has not been prepared at the date of these financial statements, the promised retirement benefits at 31 March 2025 have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2022.

	31 March 2025 £m	31 March 2024 £m
Fair value of net assets	2,270	2,239
Actuarial present value of promised retirement benefits	(1,652)	(1,901)
Surplus/(deficit) in the fund as measured for IAS 26	**618**	**338**

These figures are prepared only for the purposes of providing the information required by IAS 26 and are not relevant to calculations undertaken for funding purposes.

Key assumptions used are:

	31 March 2025	31 March 2024
Discount rate	5.80% p.a.	4.80% p.a.
Pension increases	2.50% p.a.	2.60% p.a.
Salary increases	4.00% p.a.	4.10% p.a.

21. CURRENT ASSETS

The current assets of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Contributions due - employees	265	855
Contributions due - employers	1,250	1,320
Sundry debtors	113	918
Prepayments	0	11
Total	**1,628**	**3,105**
Cash balances*	670	15,232
Total	**2,298**	**18,337**

* Prior to 2025, cash balances within fund managers' portfolios were reported in note 21 as part of current assets. These balances are now shown in note 14 investment assets.

22. CURRENT LIABILITIES

The current liabilities of the fund are analysed as follows:

	31 March 2025 £000	31 March 2024 £000
Benefits	(986)	(1,369)
Professional fees	(415)	(280)
Investment fees	(638)	(5,376)
Taxes	(954)	(797)
Other	(5)	(594)
Total	**(2,998)**	**(8,417)**

23. ADDITIONAL VOLUNTARY CONTRIBUTIONS

Fund Manager	Contributions Paid 2024-25	Market Value 31 March 2025	Contributions Paid 2023-24	Market Value 31 March 2024
	£000	£000	£000	£000
Aegon UK	383	3,564	245	3,471
Total	**383**	**3,564**	**245**	**3,471**

24. AGENCY SERVICES

	2024-25 £000	2023-24 £000
Payments on behalf of Southwark Council	705	671
Total	**705**	**671**

The pension fund makes payment of discretionary added years pensions awarded to former employees of the London Borough of Southwark council on an agency basis. These payments are fully recovered from the council during the year.

25. RELATED PARTY TRANSACTIONS

The fund is administered by the London Borough of Southwark and the council is therefore a related party to the fund. The council recharged the fund £1.0m in 2024-25 (£0.9m in 2023-24) to recover costs incurred in the administration and governance of the fund during the year.

No officers' remuneration is paid directly by the fund; costs are instead recovered by council recharges which are disclosed within note 11 management expenses.

The council is also the single largest employer of members of the pension fund and contributed £40.2m in employer's contributions to the fund in 2024-25 (£37.8m in 2023-24).

The Pensions Advisory Panel (PAP) offers advice to the Strategic Director of Finance. Five members of the PAP are currently active members of the pension fund whilst one member is in receipt of pension benefits. Members of the PAP are required to make a declaration at each meeting which is recorded in the minutes that are available on the council website.

25a. KEY MANAGEMENT PERSONNEL

The council's Strategic Director of Resources, the Chief Investment Officer and the Head of Pensions Operations are considered key management personnel as they hold key positions in the financial management of the pension fund alongside their responsibilities to the London Borough of Southwark. Their remuneration pro-rata to the time spent on pension fund matters is set out below:

Type of Benefit	31 March 2025 £000	31 March 2024 £000
Short term benefits	245	208
Post-employment benefits	18	14
Terminaton benefits	0	17
Total	**263**	**239**

The key management personnel included in the figures above are the Strategic Director of Resources, the Chief Investment Officer and the Head of Pensions Operations.

26. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Outstanding capital commitments (investments) at 31 March 2025 totalled £72.9m (31 March 2024: £102.5m).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CAPITAL FINANCING REQUIREMENT (CFR)
The authority's total liabilities in respect of capital expenditure financed by credit less the provision made to meet these liabilities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE
Events after the Balance Sheet date are those events, favourable or unfavourable.

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

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME FINANCIAL ASSETS
Investments for which gains and losses in fair value are recognised on the Balance Sheet but do not impact on the council's income as they arise but only when the investment matures or is sold. Defined as financial assets:
· held within a business model whose objective is achieved by both collecting contractual cash flows and selling investments, and
· which have the form of a basic lending arrangement (ie, contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding).

FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL ASSETS
Defined as financial assets that do not qualify for measurement at amortised cost or fair value through other comprehensive income.

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

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

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

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

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

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

HOUSING REVENUE ACCOUNT (HRA)
This is a statutory account that shows all income and expenditure relating to the provision, management and maintenance of the council's housing stock. Under the Local Government and Housing Act 1989, this account is kept separate from the General Fund and the account must balance. The council is not allowed to make up any deficit in the HRA from the General Fund.

IAS19 EMPLOYEE BENEFITS
International Accounting Standard 19 is based on the principle that an organisation should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future.

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

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

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

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

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

LEASE
A contract under which a lessor conveys the right to use an asset to a lessee for a period of time. The definition can include arrangements that are not leases in the legal sense.

LEASE LIABILITIES
The amounts recognised in the Balance Sheet for the payments the Council is due to make as lessee under finance leases.

LEASE RECEIVABLES
The amounts recognised in the Balance Sheet for the payments the Council is due to receive as lessor under finance leases.

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

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

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

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

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

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

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

OPERATING LEASES
See finance and operating leases.

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

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

PRIVATE FINANCE INITIATIVE (PFI)
A government initiative that enables authorities to carry out capital projects through partnership with the private sector.

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

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is not related to the council’s non-current assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Comprehensive Income and Expenditure Statement as it arises.

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

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

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

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

RIGHT OF USE ASSET
An asset representing the lessee's right to use the leased asset for the lease term.

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

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

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

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

Southwark Council