



**STATEMENT OF ACCOUNTS**

**2006/07**

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

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**LONDON BOROUGH OF SOUTHWARK  
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**FOREWORD**

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

The Statement of Accounts provides information about the Council's expenditure and income for the year and its overall financial position at the end of the financial year. In reporting on how the Council's finances have been managed and its financial position, the Statement of Accounts forms a key part of the comprehensive performance assessment (CPA) process. This aims to measure the effectiveness of services being delivered and value for money being achieved.

For 2006/7, the Audit Commission judged that the Council's Use of Resources was "Good". While this matched the result for the previous two years, given the ever more demanding and wider assessment criteria, we remain very pleased with this outcome.

However, despite this very encouraging result, we will continue to work to promote and enhance the financial management and standing of the Council so that we can continue to support the quality and improvement of the services that we provide.

We will be guided especially by the advice offered by the District Auditor in his annual audit letter. He reminds us in particular of the need to continuously monitor our overall finances given the significance of the Council's investment plans for regeneration and housing. He further advises that to ensure that these developments stay on track, the Council should continue to ensure that its risk and project management processes and governance arrangements remain robust. I support this guidance and will be taking appropriate steps to ensure that the financial standing of the Council is maintained and strengthened within future strategies.

At the date of this Statement, the District Auditor has not given an opinion on the Accounts.

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



**Duncan Whitfield  
Finance Director**

22nd June 2007

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**SUMMARY OF THE ACCOUNTS**

**1. THE STATEMENT OF ACCOUNTS**

- 1.1. This section provides a brief explanation of the financial aspects of the Council's activities and draws attention to the main features of the Council's financial position at 31<sup>st</sup> March 2007.
- 1.2. The Council's Accounts for the year 2006/07 are set out in the following pages. The presentation of the statements has changed significantly from that in previous years. This is because the SORP (the Code of Practice on Local Government Accounting in Great Britain: A Statement of Recommended Practice 2006) for the 2006/07 Accounts has changed from that required to be used for the 2005/06 Accounts. The Accounts have now been prepared in accordance with the new SORP. Comparative figures for 2005/06 have also been restated to be in accordance with the new SORP.
- 1.3. The main changes to previous years' Accounts as a result of the new SORP include:
- The introduction of new statements - the Income and Expenditure Account and the Statement of Movement on the General Fund Balance replacing the single Consolidated Revenue Account, and a new item, the Statement of Total Realised Gains and Losses
  - Certain items in the Balance Sheet (deferred credits, deferred debits, and the grants deferred account) have been moved from the net equity or reserve section to current assets and liabilities
  - A prescribed order for the most significant statements, which is listed below
  - The removal of an internal "notional interest" charge in allocating capital finance charges to services. This also removes the need for the Asset Management Revenue Account previously included in the Consolidated Revenue Account, and
  - The amortisation of capital grants is now charged direct to individual services rather than the Asset Management Revenue Account
- 1.4. Accounting standards, and how they apply to local authorities, continue to change. The SORP planned for the 2007/08 Accounts will change how the 2006/07 Accounts are presented here, mainly around the treatment of loan debt and investments, and in accounting for fixed assets. The 2008/09 Accounts will then further change, to comply with International Accounting Standards, which will be a common theme across the public sector, and under the requirements of Whole of Government Accounting.
- 1.5. The statements now included in these Accounts, and in the order prescribed by the SORP, are:
- The Income and Expenditure Account - covering income and expenditure on all goods and services relating to the Council's activities
  - The Statement of Movement on the General Fund Balance - reconciles the Income and Expenditure Account with charges required to be made by statute, and balances against the need to raise Council Tax
  - The Statement of Total Recognised Gains and Losses - a new statement showing the movement in the value of the Council's assets or net worth
  - The Balance Sheet - which sets out the financial position of the Council as at 31<sup>st</sup> March 2007. It incorporates the balances on the Council's revenue and capital accounts, consolidated advances and borrowing pool and the Collection Fund. The assets and liabilities of the Pension Fund and Trust Funds are excluded and are shown separately
  - The Cash Flow Statement - which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes
  - Notes to the above Accounts
  - The Housing Revenue Account (HRA) statements - which show income and expenditure on Council Housing. Similar to the main statements, this is now made up of the HRA Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, and notes to these accounts
  - The Collection Fund - which shows transactions of the charging authority relating to Non Domestic Rates and Council Tax, and the way these have been distributed to preceptors and the General Fund
  - Trust Funds and other balances - which show the movements and the final balances on the various trusts and bequests administered by the Council
  - The Pension Fund statements - which sets out the financial position of the Council's Pension Fund. The statements include the Pension Fund Account, the Pension Fund Net Assets Statements, and notes to these accounts.

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**2. THE REVENUE BUDGET**

- 2.1. As forecast in the quarterly reports to the Executive through 2006/7, the General Fund budget outturn shows a broadly balanced overall position with a small surplus of £0.5m, although there were some significant variations in Adult Social Care (£4.4m) and Children's Social Care (£0.9m) due largely to placement and care package pressures. These pressures were offset within the General Fund by additional interest earnings on balances (£4.26m) and the provision set aside for prudential borrowing (£1m) which was not required in 2006/7. The planned use of corporate reserves offset specific project and one-off costs, including Southwark Schools for the Future (£2.14m), Every Child Matters (£1.08m) and Peckham Pulse (£2.15m). Also, as planned in setting the budget for 2006/07, £1.488m of the Local Authority Business Growth Incentive (LABGI) grant was utilised to support the overall General Fund budget. The General Fund balance as at 31 March 2007 is £16.8m, an increase of £1.3m over the previous year. The HRA balance stands at £37.4m, an increase of £5.4m. The Collection Fund deficit as at 31 March 2007 was £1.3m.

**3. PENSIONS**

- 3.1. The Council offers retirement pensions to its staff and makes contributions to pension schemes on their behalf. These pensions schemes include the Council's own pension fund as operated under the Local Government Pension Scheme, the accounts of which are at page 61. Other pension schemes are operated by the Local Pension Fund Authority (LPFA) and the Teachers' Pensions Agency (TPA).
- 3.2. The Council's own accounts are prepared in accordance with Financial Reporting Standard 17 - Retirement Benefits (FRS 17), which requires that the accounts reflect the employees' pension rights as they are earned in a year, which is different from the level of contributions being made by the employees and the employer in the year towards those pensions. Each year at 31<sup>st</sup> March actuaries assess the value of assets in the pension funds, the difference between contributions made and benefits earned, and project these forward using factors, as set out in Note 16 page 24, to calculate a figure representing the outstanding liability of the Council to each pension fund. These liabilities are:
- For the Council's own pension fund, the liability of the Council to its fund at 31st March 2007 was £244.401 million, a reduction of £3.199 million from £247.600 million as at 31st March 2006. The reduction in the balance is from an actuarial gain of £6.700 million, the difference of £3.501 million being due to costs required under FRS 17 being higher than the actual level of contributions made in the year.
  - The liability of the Council to the LPFA reduced by £1.389 million, from £12.900 million to £11.511 million at 31st March 2007, as advised by the LPFA's actuaries. The reduction in the liability is largely due to changes in actuarial assumptions for this Fund.
  - The TPA is run on a different basis from the others above, and is not required to be accounted for in this way under FRS 17. There is no separate liability included the Council's accounts.
- 3.3. The operation of the Council's pension fund is regulated by statute. It is revalued every three years, and this valuation is used to set the level of contributions by the Council and the employees towards the fund, rather than considering the pensions rights earned per FRS 17. The assumptions under this valuation use a longer timeframe than FRS 17, and incorporate assumptions on the plan to eliminate any outstanding liability, which again is not taken into account under FRS 17 in assessing the outstanding liability at a fixed point. The last revaluation of the Council's pension fund on this basis was as at 31st March 2004, giving an outstanding liability at that time of £165 million. From this, the actuary recommended the Council, as employer, makes higher contributions to the fund over an 18 year period, which is included within the Council's base budget. The next revaluation is currently in progress as at the time of preparing these Accounts, with a valuation date of 31<sup>st</sup> March 2007. The revaluation will not affect the assets or liabilities presented in the Balance Sheet, but will be used to determine actual contributions to the Pension Fund from 2008/09 budget onwards.

**4. CAPITAL FINANCING**

- 4.1. The Council has set a de minimis of £10,000 for the valuation of fixed assets (£1,000 for DSO assets).
- 4.2. In 2006/07 the Council spent £147 million on capital projects (£152 million 2005/06), including £79 million on Council dwellings and other housing (£92 million 2005/06).

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- 4.3. This expenditure was financed from the use of supported borrowing (18%), capital receipts from the sale of assets (24%), grants and other contributions (27%), and contributions from revenue and the Major Repairs Reserve (31%).
- 4.4. Capital expenditure under supported borrowing was financed from internal borrowing and the requirement to make the Minimum Revenue Provision. No new long term debt was taken out in the year.

**5. FUTURE COMMITMENTS**

5.1. CAPITAL PROGRAMME

- 5.2. The Council has in place a 10 year capital programme aligned with its substantial regeneration programme for the borough. Contractual commitments for the programme as at 31<sup>st</sup> March 2007 can be analysed over the Council's services as follows:

Service	Contractually Committed Expenditure £m
Education	14.06
Environment & Housing	75.56
Regeneration	1.56
Strategic Services	0.84
Total committed programme	<u>92.02</u>

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**STATEMENT OF ACCOUNTING POLICIES**

**1. GENERAL PRINCIPLES**

- 1.1. The general principles adopted in compiling and presenting these accounts are those contained in The Code of Practice on Local Government Accounting in Great Britain: A Statement of Recommended Practice 2006 (the "SORP"), the Best Value Accounting Code of Practice 2006 ("BVACOP"), and all relevant legislation and statements of good practice.
- 1.2. The 2006/07 Accounts have been presented in accordance with the 2006 SORP, which is different from the 2005 SORP used to compile the 2005/06 Accounts, as explained on page 3. Comparative figures for 2005/06 have been restated to comply with the 2006 SORP.

**2. COMPLIANCE WITH ACCOUNTING STANDARDS**

**EXCEPTIONS TO ACCOUNTING STANDARDS**

- 2.1. These statements comply with all relevant accounting standards with the exception of the following:
  - Legislation does not empower local authorities to credit capital receipts to the General Fund (apart from payments of capital receipts to the DCLG, see Note 18 page 29). Capital receipts are applied to finance new capital expenditure, repay outstanding loan debt, or remain unapplied at the end of the financial year.

**GROUP ACCOUNTS**

- 2.2. At the time of preparing the Accounts, the Council has no interests in other organisations that require consolidation as group accounts. If at a later date the Council acquires, receives or develops interests that require consolidation then the full set of additional group accounts statements will be produced in accordance with the SORP.

**SCHOOLS' ACCOUNTS**

- 2.3. Schools' accounts are fully consolidated within the Income and Expenditure Account, Balance Sheet and all other statements and notes. As schools' activities are seen as part of the Local Education Authority function of the Council, the SORP requires inclusion within the single entity accounts of the Council rather than being treated as group accounts.

**DEBTORS AND CREDITORS**

- 2.4. The Accounts are compiled on an accruals basis, which is a system of recognising income and expenditure attributable to the year rather than when the income or expenditure is actually incurred. Therefore, if goods or services have been received in 2006/07 they are accounted for accordingly. Similarly, income due in for goods and services relating to 2006/07 is accounted for in 2006/07.
- 2.5. Where the amount due is unknown then an estimated amount has been allowed for.
- 2.6. All interest payable on external borrowing and interest receivable on investments is accounted for in the period to which it relates.

**RESERVES AND PROVISIONS**

- 2.7. The Balance Sheet contains a number of reserves and provisions. In accordance with the SORP, which incorporates Financial Reporting Standard 12, provisions are sums set aside for liabilities and obligations arising out of the current or previous years' activities but where the exact timing of the payment or the amount to be paid are not certain. Provisions do not reflect continuing contractual commitments or underspends set aside for future use. Reserves are moneys set aside from underspends to meet contractual commitments or future expenditure plans, including meeting risks or liabilities that may arise at a later date.

**REPAYMENT OF DEBT**

- 2.8. All loans are raised under powers contained in the Local Government Act 2003, and are paid into a pool. Sums are advanced to meet capital expenditure on the various Council services.

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- 2.9. Each year the Council is required to charge to revenue a minimum amount for debt redemption, as specified in the Local Government Act 2003. Additional payments may also be made above the minimum required.

**ALLOCATION OF CENTRAL ADMINISTRATION EXPENSES OVER SERVICES**

- 2.10. There has been an allocation of Central Administrative Expenses over all services, based on Service Level Agreements

**BASIS OF VALUATION OF INVESTMENTS**

- 2.11. General Fund investments are shown at their cost price excluding brokerage and fees. Pension Fund investments are shown at market value.

**LANDFILL ALLOWANCES TRADING SCHEME**

- 2.12. The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) in the United Kingdom to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS), which applies only to WDAs in England and commenced operation on 1<sup>st</sup> April 2005. The scheme allocates tradable landfill allowances to each WDA in England.

- 2.13. The SORP requires the receipt of the LATS allocation and their use in the year are recognised as income and expenditure in the Income and Expenditure Account, under Cultural, Environmental and Planning. The receipt of the allowance is also recognised on the Balance Sheet as landfill usage allowance, and the amounts used as a liability to DEFRA for the BMW landfill usage. The unused LATS are recognised in earmarked reserves.

- 2.14. The values of the LATS received, used and unapplied are all recognised using the weighted average value of all trades made through DEFRA in 2006/07. Revaluation gains or losses only arise on the value of LATS brought forward from the previous year.

**WORKS IN PROGRESS, STOCKS AND STORES**

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

- 2.16. Stocks and stores are recorded and charged in the accounts at average price.

**3. CAPITAL ACCOUNTING**

**FIXED ASSETS**

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

- 3.2. Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance notes issued by The Royal Institution of Chartered Surveyors (RICS). The Housing Revenue Account stock valuation is carried out under the Guidance on stock valuation for resource accounting available from the Department of Communities and Local Government.



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3.3. Fixed assets are classified into the groupings recommended by CIPFA:

Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community assets

Non-operational assets

- Investment properties
- Assets under construction
- Surplus assets, held for disposal

3.4. Revaluations of General Fund fixed assets are undertaken on the basis of a five-year rolling programme, although any material changes to asset values will be identified and adjusted in the interim period. The HRA stock is revalued on an annual basis using the Beacon method recommended by DCLG. Any surpluses or deficits from revaluation are taken to the Fixed Asset Restatement Account.

3.5. The Council has no finance leases at this time. If the Council entered into finance leases, the assets acquired would be capitalised in the Council's accounts, together with the liability to pay future rentals. Rental payments under finance leases would be apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals would then be charged to the Income and Expenditure Account.

3.6. Rentals payable under operating leases are charged to the Income and Expenditure Account on an accruals basis.

3.7. Income from the disposal of fixed assets is accounted for on an accrual basis. The portions of HRA receipts that are required to be pooled by DCLG are paid on a quarterly basis. The remaining HRA receipts, if covered by the Council's Capital Allowance, and receipts from the disposal of General Fund assets are used to meet the cost of capital expenditure or additional repayments of debt, with the balance of unused receipts being shown in the Balance Sheet as the usable capital receipts reserve.

#### DEPRECIATION

3.8. Depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- All assets are charged with depreciation, unless the amount of depreciation is immaterial, or the asset is non-depreciable land or non-operational investment properties.
- Newly acquired assets are depreciated from the year following acquisition, although assets in the course of construction are not depreciated until they are brought into use, and
- Depreciation is calculated on a straight-line basis.

#### CHARGES TO THE INCOME AND EXPENDITURE ACCOUNT

3.9. All Council accounts are charged with depreciation for all fixed assets used in the provision of services. The charge made to the Housing Revenue Account is an amount equivalent to the Major Repairs Allowance (MRA). This is intended to represent the estimated average annual cost of maintaining the condition of the housing stock over a 30-year period, and is a reasonable estimate of depreciation for HRA properties.

3.10. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The charge made to the Housing Revenue Account is an amount equivalent to the statutory capital financing charges.

#### DEFERRED CHARGES

3.11. Deferred charges are fully amortised in the year they arise.

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**GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

**4. RELATED PARTY TRANSACTIONS**

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

4.2. In addition to maintaining the register of Members' interests, the Council has obtained specific declarations from Councillors and Chief Officers for the financial year 2006/07. 104 declarations were requested and, at the time of preparing these Accounts, 85 have been completed and returned. Interests were declared by 20 Councillors and Chief Officers:

- With voluntary bodies or charitable organisations that received funding totalling £2.6 million in 2006/07 (£2.3 million in 2005/06)
- With businesses or other organisations that have contracted for goods and services with the Council to the value of £25.3 million in 2006/07 (£11.6 million in 2005/06). Within this balance, the two largest entities transacting with the Council were Liberata UK Ltd, with payments of £13.1 million, and Southwark Primary Care Trust, with payments of £11.7 million.

4.3. The Council register of Members' interests is available for inspection together with their declarations of any related party transactions at Peckham Town Hall.

4.4. The Government is a related party for the Council, by virtue of the influence it can exert through the level of grant funding it provides. The Council received £652 million grant funding in 2006/07 (£699 million 2005/06), as shown in Note 49 to the Cash Flow Statement, page 46.

**5. GRANT CLAIMS**

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

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**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**The Council's responsibilities**

The Council is required:

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

**The Finance Director's responsibilities**

The Finance Director is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice').

In preparing the Statement of Accounts, the Finance Director has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice
- Kept proper accounting records which were up to date, and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

**LONDON BOROUGH OF SOUTHWARK  
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**INCOME AND EXPENDITURE ACCOUNT**

This account summarises the resources that have been generated and used in providing services and managing the Council during the year. It includes day-to-day expenses and related income on an accruals basis. It also includes transactions reflecting the value of fixed assets used in the year (depreciation) and the real projected value of retirement benefits earned by employees in the year.

	Note	Gross Expenditure £000	Gross Income £000	2006/07 Net Expenditure £000	2005/06 Net Expenditure £000
Central services to the public	1	61,099	(70,454)	<b>(9,355)</b>	(13,952)
Cultural, environmental & planning services	2 - 5	132,239	(52,399)	<b>79,840</b>	79,439
Education services	6	325,046	(303,372)	<b>21,674</b>	182,588
Highways, roads and transport services		26,188	(14,276)	<b>11,912</b>	10,289
Local authority housing (HRA)		198,794	(269,152)	<b>(70,358)</b>	(67,891)
Other housing services		246,213	(225,056)	<b>21,157</b>	18,919
Social services	7	202,998	(53,261)	<b>149,737</b>	131,728
Coroners service		1,172	(938)	<b>234</b>	222
Corporate and democratic core	8	21,916	(3,334)	<b>18,582</b>	14,071
Non-distributed costs	9	3,268	0	<b>3,268</b>	2,790
<b>Net Cost of Services</b>	10 - 16	1,218,933	(992,242)	<b>226,691</b>	358,203
(Surplus)/loss on the disposal of fixed assets				<b>(4,006)</b>	0
Precepts				<b>26,539</b>	22,986
(Surplus)/deficit on trading undertakings not included in Net Cost of Services	17			<b>1,124</b>	2,010
Interest payable and similar charges				<b>64,768</b>	62,982
Contribution of housing capital receipts to the Government pool	18			<b>18,334</b>	54,586
Interest and investment income				<b>(13,078)</b>	(12,683)
Pensions interest cost and expected return on pensions assets	16			<b>2,156</b>	6,134
<b>Net Operating Expenditure</b>				<b>322,528</b>	494,
Demand on the Collection Fund				<b>(103,764)</b>	(98,475)
General government grants	19			<b>(38,389)</b>	(278,503)
Non-domestic rates redistribution	19			<b>(173,305)</b>	(84,581)
<b>(Surplus)/deficit for the year</b>				<b>7,070</b>	32,659

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**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

This is a reconciliation statement summarising the differences between the outturn on the Income and Expenditure Account and the General Fund 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, the Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed (depreciated)
- The payment to the Government of a share of capital receipts from the sales of housing assets is shown as a payment in the Income and Expenditure Account. The payment is met from the usable capital receipts balance rather than Council Tax
- Retirement benefits are charged as amounts payable to pension funds and pensioners rather than as future benefits are earned.

	Note	<b>2006/07 £000</b>	2005/06 £000
(Surplus)/deficit for the year on the Income and Expenditure Account		<b>7,070</b>	32,659
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	20	<u><b>(6,942)</b></u>	(40,469)
(Increase)/decrease in General Fund Balance for the Year		<b>128</b>	(7,810)
General Fund Balance brought forward		<b>(28,733)</b>	(20,923)
General Fund Balance carried forward		<u><b>(28,605)</b></u>	<u>(28,733)</u>

For the purposes of this Statement, the General Fund Balance and the movement in that balance is made up of the combination of balances held by the Council, attributable to the setting of Council Tax, and the balances held by schools for schools' purposes. The closing balance is analysed as:

	<b>2006/07 £000</b>	2005/06 £000
Amount of General Fund Balance held by governors under schemes to finance schools	<b>(11,771)</b>	(13,177)
Amount of General Fund Balance generally available for new expenditure	<b>(16,834)</b>	(15,556)
	<u><b>(28,605)</b></u>	<u>(28,733)</u>

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in net worth.

	Note	<b>2006/07 £000</b>	2005/06 £000
(Surplus)/deficit for the year on the Income and Expenditure Account		<b>7,070</b>	32,659
(Surplus)/deficit arising on the revaluation of fixed assets		<b>(160,530)</b>	525,476
Actuarial (gain)/losses on pension fund assets and liabilities		<b>(8,756)</b>	(29,633)
Movement in the Collection Fund balance	21	<b>1,827</b>	758
Movement in cash resources recognised direct in reserves	21	<b>4,499</b>	(1,021)
<b>Total recognised gains/losses for the year</b>		<b><u>(155,890)</u></b>	<b><u>528,239</u></b>

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**BALANCE SHEET**

<b>BALANCES AT</b>	Note	<b>31/3/07 £000</b>	<b>31/3/07 £000</b>	31/3/06 £000	31/3/06 £000
Intangible Assets	22		<b>2,619</b>		1,547
Tangible Fixed Assets	23				
Operational assets					
- Council dwellings		<b>2,382,301</b>		2,322,010	
- other land and buildings		<b>583,707</b>		594,922	
- vehicles, plant and equipment		<b>5,101</b>		7,017	
- infrastructure assets		<b>97,300</b>		81,900	
- community assets		<b>18,954</b>		17,032	
- work in progress		<b>26,857</b>		4,550	
Non operational assets					
- investment properties		<b>121,083</b>		618	
			<b>3,235,303</b>		3,028,049
Deferred charges	24	<b>0</b>		0	
Deferred debtors	25	<b>2,387</b>		1,600	
Long term debtors	26	<b>276</b>		4,903	
Deferred debits	27	<b>4,489</b>		8,982	
			<b>7,152</b>		15,485
<b>Total long term assets</b>			<b>3,245,074</b>		3,045,081
Current Assets					
- stocks and work in progress		<b>759</b>		638	
- debtors	28	<b>163,342</b>		158,612	
- less provision for bad debts	29	<b>(42,124)</b>		(41,898)	
- investments	30	<b>254,966</b>		272,986	
- landfill usage allowance	4	<b>1,084</b>		1,208	
			<b>378,027</b>		391,546
Current Liabilities					
- borrowing repayable on demand or within 12 months	31	<b>(54)</b>		(65)	
- creditors	32	<b>(114,194)</b>		(100,837)	
- landfill usage liability	4	<b>(831)</b>		(1,192)	
- cash and bank		<b>(20,445)</b>		(23,719)	
			<b>(135,524)</b>		(125,813)
<b>Total assets less current liabilities</b>			<b>3,487,577</b>		3,310,814
Long term borrowing	33		<b>(693,709)</b>		(693,832)
Provisions	34		<b>(23,827)</b>		(27,234)
Grants deferred account	35		<b>(123,128)</b>		(97,937)
Deferred receipts	36		<b>(2,366)</b>		(1,482)
Deferred credits	37		<b>(465)</b>		(549)
Pension scheme liability	16		<b>(255,912)</b>		(260,530)
<b>Total assets less liabilities</b>	38		<b>2,388,170</b>		2,229,250

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	Note	31/3/07 £000	31/3/07 £000	31/3/06 £000	31/3/06 £000
<b>Represented by :</b>					
Capital financing account	39		(802,201)		(757,291)
Fixed asset restatement account	40		(1,627,603)		(1,511,983)
Pensions reserve	41		255,912		260,530
Usable capital receipts reserve	42		(75,871)		(83,604)
Major Repairs Reserve			(13,966)		(10,732)
Modernisation, Service & Operational Improvement Reserve	43		(5,367)		(8,846)
Regeneration & Development Reserve	44		(14,161)		(8,330)
Financial Risk Reserve	45		(5,545)		(7,678)
Schools' balances	46		(11,771)		(13,177)
Other earmarked reserves	47		(34,640)		(40,061)
Balances					
- General Fund			(16,834)		(15,556)
- Housing Revenue Account			(37,422)		(31,994)
- Collection Fund			1,299		(528)
<b>Total Equity</b>			<u>(2,388,170)</u>		<u>(2,229,250)</u>



**LONDON BOROUGH OF SOUTHWARK  
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**CASH FLOW STATEMENT**

	Note	2006/07 £000	2005/06 £000
<b>REVENUE ACTIVITIES</b>			
Cash outflows			
Cash paid to and on behalf of employees		375,871	369,513
Other operating costs		632,531	616,111
Housing benefit (excluding rent rebates)		59,321	56,049
Payments into NNDR pool		117,461	101,385
Payment to preceptors		26,431	22,820
Payment to the Capital Receipts Pool		15,221	65,954
		<u>1,226,864</u>	<u>1,231,832</u>
Cash inflows			
Rents (net of rebates)		(153,451)	(152,576)
NNDR receipts		(108,425)	(101,761)
Contribution from Collection Fund		(85,846)	(68,750)
Government Grants	48	(651,729)	(699,213)
Sales and charges for services		(334,224)	(222,024)
		<u>(1,333,675)</u>	<u>(1,244,324)</u>
<b>Net cash flow from revenue activities</b>	49	<b>(106,811)</b>	<b>(12,492)</b>
<b>SERVICING OF FINANCE</b>			
Cash outflows			
Interest paid		52,291	54,878
Interest element of leasing payments		11	12
		<u>52,302</u>	<u>54,890</u>
Cash inflows			
Interest received		(10,855)	(13,755)
		<u>(10,855)</u>	<u>(13,755)</u>
<b>CAPITAL ACTIVITIES</b>			
Cash outflows			
Purchase of fixed assets		144,261	147,595
Deferred charges and deferred debtors		8,401	5,584
		<u>152,666</u>	<u>153,179</u>
Cash inflows			
Sale of fixed assets		(56,004)	(84,971)
Capital grants		(17,489)	(26,447)
Other capital cash receipts		801	375
		<u>(72,689)</u>	<u>(111,043)</u>
<b>NET CASH FLOW BEFORE FINANCING</b>		<b>14,613</b>	<b>70,779</b>
<b>FINANCING</b>			
Cash outflows			
Repayment of long term loans	50	134	0
Repayment of short term loans		0	0
		<u>134</u>	<u>0</u>
Cash inflows			
New long term loans		0	(44,989)
New short term loans		0	0
		<u>0</u>	<u>(44,989)</u>
		<b>14,747</b>	<b>25,791</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>			
Increase in liquid resources	51	(64,112)	(33,715)
<b>(INCREASE)/DECREASE IN CASH AND EQUIVALENTS</b>		<b>(49,365)</b>	<b>(7,924)</b>
<b>REPRESENTED BY MOVEMENTS IN CASH AND CASH EQUIVALENTS</b>			
Net (increase)/decrease in bank balance		3,273	(3,855)
Net increase/(decrease) in realisable investments		46,092	11,779
<b>INCREASE/(DECREASE) IN CASH AND EQUIVALENTS</b>		<b>49,365</b>	<b>7,924</b>

**LONDON BOROUGH OF SOUTHWARK  
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**NOTES TO THE ACCOUNTS**

**1. NET COST OF SERVICES**

1.1. The segmental reporting in Net Cost of Services is in accordance with the classification of services in the Best Value Accounting Code of Practice.

**2. COMMERCIAL INCOME**

2.1. The Council undertook commercial refuse collection in addition to its statutory refuse collection. In 2006/07 a surplus of £426,000 (£344,000 in 2005/06) occurred on a turnover of £3,236,000 (£3,031,000 in 2005/06).

2.2. The Council operates a number of industrial estates in the area. These produced an income of £1,422,000 (£1,429,000 in 2005/06) against expenditure of £742,000 (£901,000 in 2005/06).

2.3. The Council also rents out commercial properties. These produced an income of £1,695,000 (£1,514,000 in 2005/06) against expenditure of £1,100,000 (£1,242,000 in 2005/06).

**3. BUILDING CONTROL FEE EARNING ACCOUNT (BCFE Account)**

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

	<b>Chargeable</b>	<b>Non Chargeable</b>	<b>2006/07 Total</b>	2005/06 Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
<b>Expenditure</b>				
Employees	691	231	<b>922</b>	1,114
Premises	96	32	<b>128</b>	82
Transport	10	4	<b>14</b>	20
Supplies & Services	79	27	<b>106</b>	75
Support Services	252	84	<b>336</b>	253
<b>Total Expenditure</b>	<b>1,128</b>	<b>378</b>	<b>1,506</b>	<b>1,544</b>
<b>Income</b>				
Building Regulation Charges	(708)		<b>(708)</b>	(835)
Deferred Charges	(257)		<b>(257)</b>	(341)
Miscellaneous Income				0
Dangerous Structures Income		(104)	<b>(104)</b>	(58)
Deferred Income	(19)		<b>(19)</b>	(132)
<b>Total Income</b>	<b>(984)</b>	<b>(104)</b>	<b>(1,088)</b>	<b>(1,366)</b>
<b>(Surplus)/Deficit for the year</b>	<b>144</b>	<b>274</b>	<b>418</b>	<b>178</b>

**4. LANDFILL ALLOWANCES TRADING SCHEME (LATS)**

4.1. The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) such as the Council to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The Government allocates an allowance each year to each authority for landfill. If more landfill is needed in a year, a WDA must purchase an allowance from other authorities or pay a penalty. Any allowances not used in a year can be carried forward or sold within the trading scheme. The scheme came into effect for the first time in 2005/06.

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- 4.2. The allowances and use of allowances are reflected in the Income & Expenditure Statement as gross income and expenditure. LATS memorandum account:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance brought forward	<b>(16)</b>	0
LATS grant income	<b>(1,070)</b>	(1,208)
Allowances used in the year	<b>831</b>	1,192
Changes in valuation	<b>2</b>	0
<b>Unused allowances carried forward</b>	<b><u>(253)</u></b>	<b><u>(16)</u></b>

- 4.3. Accounting practice requires the receipt of the allowance to be recognised as a current asset in the Balance Sheet, and the use of the allowance as a deferred liability. Unused allowances, £253,000 (£16,000 in 2005/06), are carried forward within other earmarked reserves, Note 47.
- 4.4. There were no allowances bought or sold with the trading scheme in 2006/07 for use in 2006/07 or future years.

**5. BUSINESS IMPROVEMENT DISTRICT SCHEMES**

- 5.1. The Council is the billing authority for two business improvement districts (BIDs): Better Bankside and London Bridge. The Better Bankside BID started in April 2005, the London Bridge BID in April 2006.
- 5.2. BID companies manage the BID schemes in Southwark, working with local organisations to provide a variety of projects additional to services provided by the Council. Projects include enhanced cleaning, safety and promotion of the districts.
- 5.3. The Council acts as agent for the Southwark BIDs, collecting levies for the BID companies from business ratepayers within the respective BID areas. The Council pays the total amounts collected to the BID companies. In 2006/07, the Council paid £655,616 to Better Bankside (£530,679 in 2005/06) and £687,945 to London Bridge (new for 2006/07).
- 5.4. In addition, the Council charges the BIDs for administration costs including the cost of collecting and passing on the levy. In 2006/07 the costs for Better Bankside were £17,415 (£17,368 in 2005/06) and for London Bridge £19,947 (new in 2006/07).

**6. DEDICATED SCHOOLS GRANT (DSG)**

- 6.1. In 2006/07 the Government changed its funding for schools through local authority accounts. Previously funding was received through general Government grant (Revenue Support Grant), but is now paid as a specific grant (Dedicated Schools Grant, DSG). Presentationally, DSG is included in Net Cost of Services, whereas Revenue Support Grant is included below Net Operating Costs. Comparisons between 2005/06 and 2006/07 are therefore distorted, and have not been adjusted.
- 6.2. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over- and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resource and this year programmed an additional £500,000 spending by schools.

**LONDON BOROUGH OF SOUTHWARK  
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6.3. Details of the deployment of DSG receivable for 2006/07 are as follows:

	<b>Schools Budget Funded by Dedicated Schools Grant</b>		
	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Original grant allocation to Schools Budget for the current year in the Council's budget	23,614	148,	171,623
Adjustment to finalised grant allocation	869	(4,	(3,960)
DSG receivable for the year	24,483	143,	167,663
Actual expenditure for the year	(19,289)	(142,	(161,583)
(Over)/underspend for the year	5,194		6,080
Planned top-up funding of ISB from Council resources	0		0
Use of schools balances brought forward	0	(	(211)
(Over)/underspend from prior year	0		0
(Over)/underspend carried forward to 2007/08	5,194		5,869

**7. POOLED FUNDS**

7.1. Section 31 of the Health Act 1999 enables joint working arrangements between NHS bodies and local authorities. The Council (LBS) and Southwark Primary Care Trust (PCT) operate pooled fund arrangements for the Learning Disabilities Service and the Integrated Community Equipment Service. LBS is the lead authority for both arrangements. Each party accounts separately for its share of the income, expenditure, assets and liabilities of the pooled funds, including any under or overspend at the year-end. The memorandum accounts below bring together the income and expenditure for the pooled arrangements:

<b>Learning Disabilities Service</b>	<b>2006/07 £000</b>	2005/06 £000
Income		
LBS	<b>(17,930)</b>	(17,069)
PCT	<b>(8,838)</b>	(8,656)
	<b>(26,768)</b>	(25,725)
Expenditure	<b>28,474</b>	25,962
<b>Net over/(under) spend</b>	<b>1,706</b>	237
Shared as follows:		
LBS	<b>1,143</b>	156
PCT	<b>563</b>	81
	<b>1,706</b>	237

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<b>Integrated Community Equipment Service</b>	<b>2006/07 £000</b>	2005/06 £000
Income		
LBS	(1,214)	(1,189)
PCT	(255)	(249)
	<u>(1,469)</u>	<u>(1,438)</u>
Expenditure	1,518	1,527
<b>Net over/(under) spend</b>	<u><u>49</u></u>	<u>89</u>
Shared as follows:		
LBS	41	18
PCT	8	71
	<u><u>49</u></u>	<u>89</u>

7.2. In addition, LBS and the PCT operated a lead commissioning arrangement for Mental Health Services, with the PCT as the lead body. This is not a pooled fund arrangement, but is reported here to reflect all arrangements between the Council and the PCT. The Income and Expenditure Account does not include the transactions of the PCT. The memorandum account for the lead commissioning arrangement is shown as:

	<b>2006/07 £000</b>	2005/06 £000
Income		
LBS	(8,863)	(8,286)
PCT	(42,090)	(41,839)
	<u>(50,953)</u>	<u>(50,125)</u>
Expenditure	52,551	51,278
<b>Net over/(under) spend</b>	<u><u>1,598</u></u>	<u>1,153</u>

7.3. The overspend is reflected in the accounts of the Council and PCT in accordance with the terms of the lead commissioning arrangement. The Council's share of the overspend for 2006/07 was £0.799 million (£0.701 million in 2005/06).

## 8. MEMBERS' ALLOWANCES

8.1. The amount of members' allowances paid in 2006/07 was £1,259,680 (£1,230,913 in 2005/06).

## 9. NON DISTRIBUTED COSTS

9.1. Non distributed costs consist of:

	<b>2006/07 £000</b>	2005/06 £000
London Pension Fund Authority levy	1,441	1,490
Pension contributions, past service costs	1,827	1,300
<b>Total</b>	<u><u>3,268</u></u>	<u>2,790</u>

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9.2. Under accounting for FRS 17, Non Distributed Costs includes the actuarially assessed contribution to the Pension Fund for past service costs rather than the actual payments made.

**10. AUDIT REMUNERATION**

10.1. In 2006/07 the Council incurred the following fees relating to external audit and inspection:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor (audit of the Accounts and related work)	<b>534</b>	502
Fees payable to the Audit Commission in respect of statutory inspection	<b>26</b>	16
Fees payable to the Audit Commission for the certification of grant claims and returns	<b>411</b>	191
Fees payable in respect of other services provided by the appointed auditor (see Note 10.3)	<b>86</b>	2
	<b>1,057</b>	711

10.2. The increase in fees for grant claim work is due to a change in the SORP, to conform to good practice on the recognition of audit fees. 2006/07 is the transition year in showing fees in this way, and the fees recognised in 2006/07 include all fees paid and future costs that relate to 2006/07, plus those fees that relate to 2005/06 but were not recognised in the 2005/06 accounts.

10.3. The £85,975 fees for other services payable in 2006/07 are made up of £20,000 for Electors queries, £1,250 for national fraud initiative and £550 for school survey, all of which related to work in 2006/07. Fees payable in 2006/07 for work in 2005/06 are £30,000 for Data Quality, £34,000 for Diversity project and £175 for housing benefit publication and crime conference.

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

11.1. The Council uses assets provided through rental agreements. Assets may be provided on a continuing basis, or used on a one-off or occasional basis. The rental payments are shown below:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Assets used on a continuing basis:		
Operating leases - Council and staff vehicles	<b>3,583</b>	3,325
Operating leases - property	<b>9,402</b>	8,113
Hire purchase - fixed plant	<b>12</b>	12
Assets used on a one-off or occasional basis	<b>739</b>	963
	<b>13,736</b>	12,413

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11.2. The future payments on continuing rentals are shown below. The estimates for future property rentals may be subject to rent reviews, lease surrender or other termination agreements.

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
From 1 to up to 2 years		
Operating leases - Council and staff vehicles	<b>3,447</b>	3,255
Operating leases - property	<b>10,642</b>	8,969
Hire purchase - fixed plant	<b>12</b>	12
From 2 to up to 5 years		
Operating leases - Council and staff vehicles	<b>5,069</b>	6,771
Operating leases - property	<b>19,289</b>	20,727
Hire purchase - fixed plant	<b>37</b>	50
From 5 years upward		
Operating leases - Council and staff vehicles	<b>20</b>	83
Operating leases - property	<b>15,846</b>	16,317
	<b>54,362</b>	56,184

11.3. The Council has rental liabilities for office and other equipment, of 2.3 million per annum (£1.8 million 2005/06), which is not included in the table above.

## 12. PUBLICITY

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

	<b>2006/07</b>	2005/06
	<b>£'000</b>	£'000
Recruitment advertising	<b>1,304</b>	1,070
Council newspapers and other publications	<b>307</b>	228
Consultations and other publicity	<b>3,446</b>	3,334
	<b>5,057</b>	4,632

## 13. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

13.1. The Council is empowered by this Act to provide goods and services to other public bodies. During 2006/07 the Council received income for services provided as follows:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Income received:		
LB Hackney: Building Design Commissions	<b>0</b>	<b>12</b>
Southwark PCT: Building Design Commission	<b>0</b>	<b>10</b>
Corporation of London: Signage work	<b>0</b>	<b>5</b>
Various: Community safety warden training	<b>22</b>	<b>0</b>
	<b>22</b>	<b>27</b>

## 14. REMUNERATION OF EMPLOYEES

14.1. During 2006/07, the Council employed staff whose taxable remuneration, including payment on termination of employment, was £50,000 or more for the year. A breakdown of these employees in bands of £10,000 is as follows:

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Band (£)	Schools	Non schools	Number of	Number of
			employees	employees
			2006/07	2005/06
50,000 - 59,999	129	103	<b>232</b>	199
60,000 - 69,999	68	38	<b>106</b>	85
70,000 - 79,999	20	16	<b>36</b>	26
80,000 - 89,999	4	14	<b>18</b>	20
90,000 - 99,999	7	5	<b>12</b>	7
100,000 - 109,999	1	2	<b>3</b>	-
110,000 - 119,999		2	<b>2</b>	2
120,000 - 129,999		2	<b>2</b>	4
130,000 - 139,999		3	<b>3</b>	-
140,000 - 149,999		2	<b>2</b>	1
150,000 - 159,999		-	-	-
160,000 - 169,999		-	-	-
170,000 - 179,999		-	-	1
210,000 - 220,000		1	<b>1</b>	
	229	188	<b>417</b>	345

## 15. EMPLOYEES PENSION COSTS

- 15.1. *Teachers' pension costs.* Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teachers' Pensions Agency (TPA). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2006/07 the Council paid £13.4 million to the TPA in respect of teachers' pension costs, which represents 19.5% of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2006/07 these amounted to £84,955.
- 15.2. *Employees who were transferred from the GLC or ILEA.* In 2006/07 the Council paid £360,000 to the London Pension Fund Authority in respect of the pension costs for former employees of the GLC or ILEA. This represents 19.1% of pensionable pay. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2006/07 these amounted to £77,315.
- 15.3. *Other employees' pension costs.* In 2006/07 the Council paid an employer contribution of £26.5 million into the Pension Fund, representing 16.5% of pensionable pay. The proportion of this contribution, which was estimated by the actuary to be attributable to current employees' liabilities (10.5%), has been charged to the relevant service and the remainder in respect of past employees has been charged as a corporate cost. The £26.5 million includes a one off lump sum contribution of £6.65 million. The contribution rate is determined by the Fund's actuary, based on triennial valuations, the last full review on which these rates were based being at 31/03/04. Under Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund. In addition the Council is responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2006/07 these amounted to £1.92 million, representing 1.3% of pensionable pay.
- 15.4. The last triennial revaluation of the Fund took place as at 31/03/04. Based on this valuation, to meet the requirements of FRS 17, Accounting for pension costs, the Council would have been required to make a contribution of £23.91 million, representing 16.5% of pensionable pay. The FRS17 disclosure is shown fully at Note 16 to the Balance Sheet (page 24). The movement in the Pensions Reserve is shown at Note 41 to the Balance Sheet (page 42).
- 15.5. The Council may make discretionary increases to pension entitlements, funded either by the Council or the Pension Fund. The capital costs of the increases made in the year, and arising from earlier years against which payments are still being made, are identified as:



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	£000	% of total pensionable pay
Capital cost of discretionary added years awarded in 2006/07, funded by the Pension Fund	592	0.3%
Capital cost of discretionary added years awarded in years before 2006/07, funded by the Pension Fund	38,579	
Capital cost of discretionary added years awarded in 2006/07, funded by the Council	195	0.07%
Capital cost of discretionary added years awarded in years before 2006/07, funded by the Council	29,651	

**16. FINANCIAL REPORTING STANDARD 17 - RETIREMENT BENEFITS (FRS 17)**

16.1. The Council's Accounts are prepared in accordance with Financial Reporting Standard 17 - Retirement Benefits (FRS 17), which requires that the accounts reflect the employees' pension rights as they are earned in a year, which is different from the level of contributions being made by the employees and the employer in the year towards those pensions.

16.2. In following FRS 17, the Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. Council employees contribute to one of three pension funds - the Council's own fund, that of the London Pension Fund Authority, or the Teachers' Pension Agency. Information for FRS 17 relating to the Council's pension fund are given in paragraphs 16.3 - 16.10, and for the London Pension Fund Authority pension fund in paragraphs 16.11 - 16.17. The pension scheme operated by the Teachers' Pension Agency is run on a different basis and does not meet FRS 17 disclosure requirements. The activities of the Council's Pension Fund are reported at page 61.

*London Borough of Southwark Pension Fund*

16.3. The London Borough of Southwark participates in the Local Government Pension Scheme, and is the Administering Authority. The Local Government Pension Scheme provides defined benefits, based on members' final pensionable salary. The most recent valuation was carried out as at 31<sup>st</sup> March 2004, and has been updated by independent actuaries to the London Borough of Southwark Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31<sup>st</sup> March 2007. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

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

	<b>2006/07</b>	2005/06
	<b>% p.a.</b>	% p.a.
Discount rate for scheme liabilities	<b>5.3</b>	4.9
Discount rate for pension cost over following year	<b>5.3</b>	4.9
Rate of increase in salaries	<b>4.7</b>	4.5
Rate of increase in pensions in payment	<b>3.0</b>	3.0
Rate of inflation	<b>3.2</b>	3.0
Rate of return on Equities	<b>7.7</b>	7.3
Rate of return on Government Bonds	<b>4.7</b>	4.3
Rate of return on Corporate Bonds	<b>5.3</b>	4.9
Rate of return on Property	<b>6.7</b>	6.3
Rate of return on Other assets	<b>5.6</b>	4.6
Average long term expected rate of return	<b>7.0</b>	6.6

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16.5. Assets are valued at fair value, principally market value for investments. The proportions of total assets held in each asset type by the Fund as a whole are as follows:

	<b>2006/07</b>	2005/06
	%	%
Equities	<b>62</b>	<b>67</b>
Bonds	<b>16</b>	<b>19</b>
Property	<b>19</b>	<b>11</b>
Other	<b>3</b>	<b>3</b>

16.6. As part of preparing the 2006/07 valuation, the actuary revisited the 2005/06 valuation, and advised of changes to that valuation. The changes moved £1.7million between past service costs and current service costs as charged to the Income and Expenditure Account, and increased the outstanding pension liability by £0.4 million. These changes have been reflected in the 2005/06 comparatives, and in the opening balance of the pensions liability and reserve for 2006/07.

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

	<b>2006/07</b>	2005/06
	£000	£000
Share of assets in London Borough of Southwark Pension Fund	<b>(731,499)</b>	(679,600)
Estimated liabilities in London Borough of Southwark Pension Fund	<b>975,900</b>	927,200
<b>London Borough of Southwark's deficit in the scheme</b>	<b><u>244,401</u></b>	<u>247,600</u>

16.8. The deficit above should be borne in mind when considering the amount of overall reserves held. The movement in the net deficit in 2006/07 can be shown as follows:

	£000	£000
Net deficit at 31 <sup>st</sup> March 2006		<b>247,600</b>
Movement in the year:		
Current service cost	28,600	
Past service costs	1,800	
Gain/loss on any settlements or curtailments	0	
Contributions	(28,299)	
Finance Income:		
Net (return)/loss on assets	1,400	
Actuarial (gain)/loss	(6,700)	
Total movement in the year	<u>(3,199)</u>	<b>(3,199)</b>
<b>Net deficit at 31<sup>st</sup> March 2007</b>		<b><u>244,401</u></b>

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16.9. Actuarial gains or losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31<sup>st</sup> March:

	2006/07		2005/06		2004/05		2003/04		2002/03	
	£000	%	£000	%	£000	%	£000	%	£000	%
Actual return less expected return on assets	(4,100)	0.6	(100,000)	14.7	(20,900)	3.9	(61,500)	12.8	120,700	30.7
Experience (gain) and losses on pension liabilities	2,000	0.2	(300)	0.03	15,300	1.9	600	0.1	0	0.0
Changes in assumptions underlying the present value of pension liabilities	(4,600)	0.5	67,200	7.2	146,900	18.0	(1,300)	0.2	(5,500)	1.0
<b>Total actuarial loss/(gain)</b>	<b>(6,700)</b>		<b>(33,100)</b>		<b>141,300</b>		<b>(62,200)</b>		<b>115,200</b>	

16.10. The actuary to the London Borough of Southwark Pension Fund estimates the charge to the Income and Expenditure Account in 2007/08 will be:

	2007/08 £000
Current service cost	29,200
Past service costs	0
Total operating charge	<u>29,200</u>
Expected return on Pension Fund assets	(50,600)
Interest on Pension Fund liabilities	51,800
	<u>1,200</u>
<b>Total charge 2007/08</b>	<b><u>30,400</u></b>

*London Pension Fund Authority Pension Fund*

16.11. The London Pension Fund Authority (LPFA) participates in the Local Government Pension Scheme, and is the Administering Authority for its fund. The Local Government Pension Scheme provides defined benefits, based on members' final pensionable salary. The most recent valuation was carried out as at 31<sup>st</sup> March 2004, and has been updated by independent actuaries to the LPFA Pension Fund to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31<sup>st</sup> March 2007. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

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

	2006/07 % p.a.	2005/06 % p.a.
Discount rate	5.4	4.9
Rate of increase in salaries	4.7	4.6
Rate of increase in pensions in payment	3.2	3.1
Rate of inflation	3.2	3.1
Rate of return on Equities	7.8	7.4
Rate of return on Cash	4.9	4.6
Rate of return on Cashflow matching	4.5	4.2

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16.13. The proportions of total assets held in each asset type by the Fund as a whole at 31<sup>st</sup> March are as follows:

	<b>2006/07</b>	2005/06
	%	%
Equities	<b>14</b>	14
Cash	<b>2</b>	3
Cashflow matching	<b>84</b>	83

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

	<b>2006/07</b>	2005/06
	£000	£000
Share of assets in LPFA Pension Fund	<b>(42,768)</b>	(42,440)
Estimated liabilities in LPFA Pension Fund	<b>54,279</b>	55,370
<b>London Borough of Southwark's deficit in the scheme</b>	<b>11,511</b>	12,930

16.15. The deficit above should be borne in mind when considering the amount of overall reserves held. The movement in the net deficit in 2006/07 can be shown as follows:

	£000	£000
Net deficit at 31 <sup>st</sup> March 2006		<b>12,930</b>
Movement in the year:		
Current service cost	641	
Past service costs	5	
Gain/loss on any settlements or curtailments	22	
Contributions	(787)	
Finance Income:		
Net (return)/loss on assets	756	
Actuarial (gain)/loss	(2,056)	
Total movement in the year		<b>(1,419)</b>
<b>Net deficit at 31<sup>st</sup> March 2007</b>		<b>11,511</b>

16.16. Actuarial gains or losses identified as movements on the Pensions Reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31<sup>st</sup> March (figures are not available from the LPFA for years before 2004/05):

	<b>2006/07</b>		2005/06		2004/05	
	£000	%	£000	%	£000	%
Actual return less expected return on assets	<b>1</b>	<b>0.0</b>	(1,576)	3.7	(214)	0.5
Experience (gain) and losses on pension liabilities	<b>2</b>	<b>0.0</b>	7	0.0	271	0.6
Changes in assumptions underlying the present value of pension liabilities	<b>(2,059)</b>	<b>3.8</b>	5,388	9.7	6,900	14.2
<b>Total actuarial loss/(gain)</b>	<b>(2,056)</b>		<b>3,819</b>		<b>6,957</b>	

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16.17. The actuary to LPFA Pension Fund estimates the charge to the Income and Expenditure Account in 2007/08 will be:

	<b>2007/08 £000</b>
Current service cost	518
Past service costs	0
Total operating charge	<b>518</b>
Expected return on Pension Fund assets	(2,083)
Interest on Pension Fund liabilities	2,880
	<b>797</b>
<b>Total charge 2006/07</b>	<b>1,315</b>

*PENSION SCHEME LIABILITY*

16.18. The Pension Scheme Liability is an account arising from the full implementation of FRS 17. The balance on the account represents the actuarially assessed liability of the Council to meet the outstanding costs towards defined benefit pension schemes that its employees partake in. The movements on the account reflect the change in the value of the assets of pension funds and the changes in the outstanding liabilities, offset by the payments the Council has made into the pension funds during the year. There are two defined benefit schemes Council employees may partake in, the Council's own scheme and that operated by the London Pension Fund Authority.

16.19. The movements in the provision are determined by the actuary to each pension fund, the details included above. The reduction in the liability in 2006/07 of £4.618 million, from £260.530 million to £255.912 million, arises largely from changes (improvement) in the actuarial assumptions of the projected value and performance of the two funds, of £8.756 million, offset by the difference (underpayment) between actual contributions and actuarially required contributions to the funds, of £4.138 million.

16.20. The total outstanding liability of the Council towards these pension funds, of £255.912 million, has a substantial impact on the net worth of the Council. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as, under the requirements of the Local Government Pension Scheme, the deficit on the pension funds will be made good by increased employer's contributions over the remaining working life of the employees, as assessed by the funds' actuaries.

16.21. With regard to the Teachers' Pensions Scheme, there were no contributions remaining payable at the year end. The Scheme is a defined benefit scheme, administered by the Teachers Pensions Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as a basis for calculating the employers' contribution rate paid by Local Education Authorities. However, it is not possible for the TPA to identify to the Council a share of the underlying liabilities in the scheme attributable to the Council's employees. For the purposes of the Accounts, and in accordance with the SORP, the scheme is accounted for on the basis as a defined contribution scheme, and the liabilities are not included within the Council's balances, though any benefits awarded upon early retirement outside of the Teachers' scheme are fully accrued within the Council's liabilities.

**17. TRADING ACTIVITIES**

17.1. The list below includes operations of the Council run on a trading account basis or as DSO trading activities. The profit or loss figures are presented on an FRS 17 basis.

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	Note	Turnover 2006/07 £000	(Profit)/Loss 2006/07 £000	Turnover 2005/06 £000	(Profit)/Loss 2005/06 £000
Building		(15,701)	105	(11,840)	849
Street & Metal Work Services		(3,823)	207	(3,766)	409
Refuse		(7,743)	100	(7,675)	16
Vehicle Management (Fleet)		(6,246)	(41)	(5,996)	(21)
Building Design Services		(6,352)	(181)	(6,690)	196
Integrated Cleaning Contract		(21,012)	502	(19,964)	394
Passenger Services		(762)	13	(2,544)	5
Social Services – Orchard Lodge	17.2	0	0	(6,434)	162
<b>Total</b>		<b>(61,639)</b>	<b>705</b>	<b>(64,909)</b>	<b>2,010</b>
Reallocation of profits/losses	17.3		419		0
<b>Total in Net Operating Expenditure</b>			<b>1,124</b>		<b>2,010</b>

17.2. The assets and function of the secure unit at Orchard Lodge were sold on 31<sup>st</sup> March 2006 and are no longer the responsibility of the Council.

17.3. In 2006/07 the Building division made a profit before FRS 17 adjustments of £418,769 from its housing repairs and maintenance activities. In accordance with the Best Value Accounting Code of Practice from CIPFA, this sum, being a material balance, was transferred back to the Housing Revenue Account Income and Expenditure Account.

17.4. In addition to the above trading accounts, the Council also operates some services which are included with the Net Cost of Services, but are classified as trading activities under the Best Value Accounting Code of Practice. The services are:

	Note	Turnover 2006/07 £000	(Profit)/Loss 2006/07 £000	Turnover 2005/06 £000	(Profit)/Loss 2005/06 £000
Translation Unit	16.5	0	0	(37)	7
Parking Trading Account	16.6	10,422	(3,439)	(9,968)	(3,507)
<b>Total</b>		<b>(10,422)</b>	<b>(3,439)</b>	<b>(10,005)</b>	<b>(3,500)</b>

17.5. In May 2005 the Translation Service was transferred to Pearson Government Solutions. The figures for 2005/06 reflect the Council's activities up to the point of transfer.

17.6. The Parking Trading Account surplus has been fully applied to meet other transport costs of road maintenance £1,757,000, street lighting £718,000 and other highways expenditure of £964,000 (£1,522,000, £1,265,000 and £720,000 in 2005/06 respectively). There is no residual balance brought forward nor carried forward, as any surplus on the account is fully applied to appropriate purposes in the year it arises.

## 18. CONTRIBUTION OF HOUSING CAPITAL RECEIPTS TO THE GOVERNMENT POOL

18.1. The Local Government Act 2003 requires that part of the proceeds from the sale of housing assets are paid to the Government, on the basis of 75% from the sales of dwellings and 50% from the sale of land or other housing assets. The payment is shown in the Income and Expenditure Account, matched by a release from the Usable Capital Receipts Reserve to the Statement of Movement on the General Fund Balance

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**19. GENERAL GOVERNMENT GRANT**

19.1. In 2006/7 the Government made a significant change in the way that local authorities are funded. A specific grant called the Dedicated Schools Grant (DSG) was introduced to fund education in schools, which reduced the total level of RSG within the overall formula grant, which then increased NNDR. Presentationally, Dedicated Schools Grant is included in Net Cost of Services, whereas Revenue Support Grant is included below Net Operating Costs. Comparisons between 2005/06 and 2006/07 are therefore distorted, and have not been adjusted. In 2006/07 the Council received £167.663 million Dedicated Schools Grant (Note 6 above).

19.2. General government grant includes the receipt in 2006/07 of £3.555 million for Local Area Business Growth Incentive (£1.469 million 2005/06) and £1.379 million for Local Public Sector Agreements (£1.396 million 2005/06).

**20. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE**

	<b>2006/07</b>	<b>2005/06</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		
Depreciation and impairment of fixed assets	<b>(9,009)</b>	(11,779)
Grants Deferred amortisation	<b>15,374</b>	5,289
Write downs of deferred charges to be financed from capital resources	<b>(8,403)</b>	(5,584)
Net loss on sale of fixed assets	<b>4,006</b>	0
Net charges made for retirement benefits in accordance with FRS 17	<b>(33,224)</b>	(32,063)
	<b>(31,256)</b>	<b>(44,137)</b>
<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>		
Minimum revenue provision for capital financing	20.1 <b>2,204</b>	1,945
Capital expenditure charged in the year to the General Fund Balance	<b>11,902</b>	8,462
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	<b>(18,334)</b>	(54,586)
Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	<b>29,075</b>	23,749
	<b>24,847</b>	<b>(20,430)</b>
<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
Housing Revenue Account Balance	<b>5,428</b>	4,464
Net transfer to or (from) earmarked reserves	<b>(5,961)</b>	19,634
	<b>(533)</b>	<b>24,098</b>
<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(6,942)</b>	<b>(40,469)</b>

20.1. Minimum Revenue Provision (MRP)

20.1.1. Accounting practice for local authorities requires that the Accounts show a charge to the General Fund to set funds aside to repay debt incurred for capital expenditure purposes. The minimum level for the General Fund is 4% of a prescribed notional calculation, and is recognised in the Statement of Movement in the General Fund Balance. For 2006/07 this was £2.204 million (£1.945 million 2005/06).

20.1.2. There is no statutory requirement to charge MRP to the Housing Revenue Account, and no charge is made.

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**21. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

21.1. The Statement of Total Recognised Gains and Losses (STRGL) shows the movement in the Balance Sheet from changes in valuations that do not pass through the Income and Expenditure Account before being appropriated to reserves. In addition to the revaluations of fixed assets, pensions assets/liabilities and the surplus/deficit from the Income and Expenditure Account, there are items which affect the net worth of the Balance Sheet, and are considered necessary to be included in this statement to show the true movement in net worth. These items include the direct receipt of cash from the sale of assets (capital receipts), the Major Repairs Allowance, and the movement in the Collection Fund.

**22. INTANGIBLE ASSETS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Original cost	<b>1,547</b>	866
Accumulated amortisation	<b>0</b>	(597)
<b>Balance as at 1<sup>st</sup> April</b>	<b>1,547</b>	269
Expenditure in the year	<b>1,574</b>	1,547
Amortisation in the year	<b>(502)</b>	(269)
<b>Balance as at 31<sup>st</sup> March</b>	<b>2,619</b>	1,547

22.1. Expenditure on intangible assets refers to software acquired and installed as part of the corporate capital programme to enhance the Council's Information & Communication Technology infrastructure. These assets are amortised over a three-year lifespan.

22.2. The outstanding balance on intangible assets reflects expenditure incurred on the following items:

	£000
IT procurement	2,481
Geographical Information System	135
Care First	3
	<hr/>
	<b>2,619</b>

22.3. IT procurement includes expenditure on the Business Warehouse system and Customer Service Centre, as well as enhancing the corporate network system.



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**23. TANGIBLE FIXED ASSETS**

23.1. Movement of Fixed Assets 2006/07

	Council Housing	Other Land & Buildings	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Investment Properties	Work in Progress	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Gross Book Value at 01/4/06</b>	2,357,304	618,910	23,227	98,944	17,032	618	4,550	3,120,585
Restatements	0	9,814	(1,708)	1,998	583	0	0	10,687
Recategorisation	(32,591)	(61,340)	0	0	0	118,176	0	24,245
Revaluations	44,993	27,687	0	0	0	2,289	0	74,969
Additions	67,328	20,488	1,655	15,852	1,339	0	22,307	128,969
Impairments	0	1,345	0	0	0	0	0	1,345
Disposals	(18,711)	(8,506)	0	0	0	0	0	(27,217)
<b>Gross Book Value at 31/3/07</b>	<b>2,418,323</b>	<b>608,398</b>	<b>23,174</b>	<b>116,794</b>	<b>18,954</b>	<b>121,083</b>	<b>26,857</b>	<b>3,333,583</b>
Accumulated depreciation b/f	(35,294)	(23,988)	(16,210)	(17,044)	0	0	0	(92,536)
Depreciation for restatements	0	1,275	0	0	0	0	0	1,275
Depreciation for revaluations	35,294	4,571	0	0	0	0	0	39,865
Depreciation for the year	(36,308)	(8,387)	(1,863)	(2,450)	0	0	0	(49,008)
Depreciation on impairments	0	1,827	0	0	0	0	0	1,827
Depreciation on assets sold	286	11	0	0	0	0	0	297
<b>Depreciation Balance at 31/3/07</b>	<b>(36,022)</b>	<b>(24,691)</b>	<b>(18,073)</b>	<b>(19,494)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(98,280)</b>
<b>Net Book Value at 31/3/07</b>	<b>2,382,301</b>	<b>583,707</b>	<b>5,101</b>	<b>97,300</b>	<b>18,954</b>	<b>121,083</b>	<b>26,857</b>	<b>3,235,303</b>

23.2. The recategorisation of assets reflects the identification of assets that have become non-operational, including council housing buildings being prepared for redevelopment.

23.3. Restatements are the result of greater refinement in the approach to valuation, including garages and halls that have been valued separately.

23.4. Capital expenditure on the acquisition of land, buildings and other tangible assets is shown in additions. Expenditure on the construction of new assets is shown in work in progress while under construction, and shown as additions to fixed assets on completion. Enhancements and improvements to existing assets are shown as work in progress whilst being carried out, and on completion will result in a change in valuation rather than being classed as an addition. Differences between the change in valuation and the cost of these works are transferred to the Fixed Asset Restatement Account.

23.5. The valuation of assets has been carried out by the Council's internal valuation service, led by Matthew Jackson MRICS BSc.

23.6. The following table shows the effects of the rolling programme for revaluing fixed assets. The amounts shown in each year for Council housing and Other land & buildings are changed in value at April each year, adjusted for depreciation. The value also includes the sum of the restatements, revaluations, additions and disposals less the depreciation on revaluations and restatements, the depreciation for the year and the depreciation on assets sold. The revaluations include changes in useful economic life and residual value. The amount at April 1999 includes prior years.

	Council Housing	Other Land & Building	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Investment Properties	Work in Progress	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets valued at Historic Cost</b>	0	0	5,101	97,300	18,954	0	26,857	148,212
<b>Assets valued at Current Value</b>								0
As at 01/04/99	1,121,681	333,974						1,455,655
As at 01/04/00	715,018	564						715,582
As at 01/04/01	177,825	63,092						240,917
As at 01/04/02	732,612	92,177						824,789
As at 01/04/03	(7,935)	16,727						8,792
As at 01/04/04	119,081	37,962						157,043
As at 01/04/05	(536,272)	50,426						(485,846)
As at 01/04/06	60,291	(11,215)				121,083		170,159
	<b>2,382,301</b>	<b>583,707</b>	<b>5,101</b>	<b>97,300</b>	<b>18,954</b>	<b>121,083</b>	<b>26,857</b>	<b>3,235,303</b>

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23.7. In 2006/07 there were reductions in the impairment losses previously charged to the General Fund in the 2005/06 accounts. Two leisure centre facilities, Peckham Pulse and Elephant & Castle, had given rise to actual and potential building failures, which were then rectified in 2006/07. The decrease in the loss in value resulting from these impairments, i.e. the restatement of value, of £3.2m, has been credited to the Income and Expenditure Account in 2006/07, in accordance with the requirements of FRS 15.

23.8. The entire housing stock is valued on an annual basis, and any impairment not otherwise identified has been absorbed as part of that revaluation. Impairments reflecting movements in the values of properties other than the housing stock have been credited to the Fixed Asset Restatement Account.

23.9. There are significant redevelopment being undertaken or planned in the Borough and a number of estates were re-categorised as non-operational assets as at 1st April 2006. These are:

- Brayards Estate
- Coopers Road
- East Dulwich Estate
- Elmington Estate
- Wooddene

In addition three hostels have been identified as surplus to operational requirements. These asset have now been revalued at market value rather than the operational valuation approach of Existing Use Value – Social Housing.

23.10. Estates that are closely monitored but have not reached the occupancy trigger point to revalue in year include Aylesbury and Heygate Estates. The Aylesbury Estate maintains good occupancy levels, consistent void levels and “Right to Buy” applications. Major works to the Heygate Estate are planned to commence in late 2008 as part of the Elephant & Castle Regeneration Programme. At this stage in the development historic levels of occupancy have been maintained. The Valuer has therefore not recorded a significant loss in value at this time. For all estates with redevelopment planned the potential for impairment losses to occur will continue to be closely reviewed for changes in the pattern of occupancy of the units resulting in one of the predetermined trigger points being met.

23.11. During the year part of the Silwood Estate (phase 4B) reached the trigger point of less than 50% occupancy and was re-categorised as non-operational and valued at Market Value in the closing balance shown above.

23.12. The list below shows assets owned by the Council and included in the Balance Sheet, and excludes properties that are rented in the provision of services. The total number of schools, 91, includes 25 voluntary primary and 7 voluntary secondary schools.

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	<b>2006/07 Quantity (number)</b>	2005/06 Quantity (number)
Council dwellings	<b>41,086</b>	41,484
Operational assets		
Town & Public Halls	<b>1</b>	1
Office Buildings	<b>47</b>	47
Coroner's Court	<b>1</b>	1
Depots	<b>2</b>	2
Social Services - Residential Care	<b>2</b>	2
Social Services - Day Care Facilities	<b>10</b>	10
Social Services - Other/Offices	<b>12</b>	12
Cemeteries and Crematoria	<b>4</b>	4
Sports and Recreation Centres	<b>10</b>	10
Swimming Pools	<b>4</b>	4
Nurseries & Early years	<b>14</b>	13
Schools - Primary	<b>73</b>	72
Schools - Secondary	<b>11</b>	13
Schools - Special	<b>7</b>	7
Libraries	<b>12</b>	12
Museums & Galleries	<b>3</b>	3
Waste Sites & Facilities	<b>1</b>	1
Shops	<b>581</b>	581
Industrial Sites	<b>6</b>	7
Car Parks	<b>3</b>	3
Community assets		
Parks	<b>131</b>	131
Infrastructure assets		
Roads (in km)	<b>337</b>	337

23.13. Summary of capital expenditure and financing

*How the money was spent:*

	<b>2006/07 £000</b>	2005/06 £000
Education	<b>32,774</b>	26,426
Environment and Leisure	<b>13,233</b>	12,283
Housing General Fund	<b>4,039</b>	4,183
Regeneration	<b>13,100</b>	12,881
Strategic Services	<b>4,496</b>	4,065
Social Services	<b>1,215</b>	2,132
Total General Fund	<b>68,857</b>	61,970
HRA	<b>78,599</b>	89,821
	<b>147,456</b>	151,791

*How the expenditure was financed:*

Revenue contributions	<b>11,969</b>	8,462
Using supported borrowing approvals	<b>25,822</b>	32,228
Using capital receipts received from the sale of assets	<b>35,927</b>	26,289
Specific grants and other contributions	<b>40,044</b>	35,593
Major Repairs Allowance	<b>33,694</b>	49,219
	<b>147,456</b>	151,791

*Expenditure by asset class:*

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Fixed assets	108,235	138,330
Deferred charges	8,403	5,584
Enhancements and work in progress	30,818	7,877
	<b>147,456</b>	<b>151,791</b>
	<b>147,456</b>	<b>151,791</b>

**24. DEFERRED CHARGES**

24.1. A deferred charge is expenditure which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset.

	2006/07 £000	2005/06 £000
Deferred charges as at 1 <sup>st</sup> April	0	0
Expenditure in the year	8,403	5,584
Amortisation	(8,403)	(5,584)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>0</b>	<b>0</b>
	<b>0</b>	<b>0</b>

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

**25. DEFERRED DEBTORS**

	2006/07 £000	2005/06 £000
Balance as at 1 <sup>st</sup> April 2006	1,600	1,233
New advances in the year	901	504
Repayments in the year	(114)	(137)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>2,387</b>	<b>1,600</b>
	<b>2,387</b>	<b>1,600</b>
Represented by:		
Housing Associations	173	183
Right to Buy mortgages	601	702
Charges over Right to Buy for major works	1,613	712
Other	0	3
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>2,387</b>	<b>1,600</b>
	<b>2,387</b>	<b>1,600</b>

25.1. Deferred debtors are mortgages given to permit purchases of homes under Right to Buy and similar initiatives, or advances made to housing associations repayable on a mortgage like basis.

25.2. The Council has agreed a policy whereby, depending on meeting certain criteria, charges to Right to Buy leaseholders for major works under Section 20 can be deferred until death of the owner or sale of the property.

**26. LONG TERM DEBTORS**

	2006/07 £000	2005/06 £000
Deferred payment schemes for Section 20 works	0	4,900
Social Services	273	0
Works in default	3	3
	<b>276</b>	<b>4,903</b>
	<b>276</b>	<b>4,903</b>

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26.1. Where leaseholders enter into a fixed plan for the repayment of costs due for Section 20 works, the moneys due may be treated as long-term debt. During 2006/07, the Council reviewed its agreements with leaseholders in respect of Section 20 works and determined it would be more appropriate to treat the moneys due as current debtors.

26.2. Under the Health and Social Care Act 2001, the Council has entered into deferred payment agreements with people receiving residential social care. The aim of the scheme is to enable people in residential care who are responsible for paying all or part of their fees to avoid having to sell their homes to pay the fees. A legal charge is placed against the resident's property, and the fees due will be recoverable from the resident's estate.

**27. DEFERRED DEBITS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance brought forward	<b>8,982</b>	17,996
New premiums in year	<b>0</b>	0
Amounts written off to revenue	<b>(4,493)</b>	(4,586)
Additional amortisation	<b>0</b>	(4,428)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>4,489</b>	8,982

27.1. Deferred debits are premiums paid on restructuring the Council's external loan debt.

27.2. In 2005/06 additional amortisation was carried out, to fully write down the General Fund share of outstanding premiums and discounts. The balance at 31<sup>st</sup> March 2007 represents premiums attributable to the Housing Revenue Account only, which will continue to be amortised over periods matching the entitlement to receive Housing Subsidy.

**28. DEBTORS**

28.1. Debtors represent amounts owed to the Council by other parties. The Council has made provision for those debts it may not recover (Note 29 below).

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Government departments and other public bodies	<b>46,792</b>	38,475
Council tax payers	<b>23,297</b>	18,610
Housing rent payers	<b>17,355</b>	16,806
Leaseholders	<b>20,779</b>	13,693
Business rates payers	<b>10,535</b>	11,457
Expenditure in advance	<b>5,428</b>	10,152
Southwark Primary Care Trust	<b>1,522</b>	6,958
Accrued investment income	<b>4,677</b>	2,706
Debtors attributable to schools' accounts	<b>1,404</b>	2,266
Sundry debtors	<b>31,553</b>	37,489
<b>Total</b>	<b>163,342</b>	158,612

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28.2. Included in the debtors figures are recurring debtors, which can be further shown as:

Arrears	Gross Arrears £m	Payments In advance £m	<b>2006/07 Net Arrears £m</b>	2005/06 Net Arrears £m
Housing rents	17.3	(4.1)	<b>13.2</b>	13.3
Homelessness	2.4	(0.1)	<b>2.3</b>	2.0
Non domestic rates	10.6	(2.6)	<b>8.0</b>	8.3
Council Tax	23.3	(2.5)	<b>20.8</b>	14.9
Other debtors	16.0	(1.4)	<b>14.6</b>	14.0
	<b>69.6</b>	<b>(10.7)</b>	<b>58.9</b>	<b>52.5</b>

28.3. Arrears on recurring debt increased by £6.4 million as at 31st March 2007. The most significant increase is in Council Tax arrears (£5.9 million). As a consequence, the bad debt provision for Council Tax has similarly increased. Both in-year collection and recovery of arrears are key indicators for the Council. Liberata, the Council's revenues and benefits contractor delivered an improvement plan endorsed by their Chief Executive in August to redress the current performance issues in respect of in-year and arrears collections. The Council has made available senior consultancy support to Liberata to assist with the implementation of recovery modules within the Council's new Council Tax system. Support has also been provided for the introduction of enforcement initiatives and to Liberata's management team.

**29. PROVISIONS FOR BAD DEBTS**

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Housing Benefits overpayments	(4,753)	251	<b>(4,502)</b>
Rent arrears	(9,684)	(203)	<b>(9,887)</b>
Hostels	(861)	(99)	<b>(960)</b>
Housing court costs	(530)	(2)	<b>(532)</b>
RTB Leaseholders	0	0	<b>0</b>
RTB Section 20	(2,750)	2,750	<b>0</b>
Commercial rent arrears	(266)	51	<b>(215)</b>
Bed & breakfast	(318)	21	<b>(297)</b>
Travellers	(119)	(5)	<b>(124)</b>
Private Sector Leasing	(573)	(19)	<b>(592)</b>
On street parking	(3,322)	1,262	<b>(2,060)</b>
Section 74	(570)	570	<b>0</b>
Highways	(14)	1	<b>(13)</b>
Council Tax	(11,994)	(3,650)	<b>(15,644)</b>
Council Tax summons costs	(1,209)	1,209	<b>0</b>
Non domestic rates collection	(3,437)	(1,867)	<b>(5,304)</b>
BCCI loss	(267)	0	<b>(267)</b>
Education services	(302)	137	<b>(165)</b>
Social Services	(503)	(33)	<b>(536)</b>
Other provisions individually less than £100,000	(426)	(600)	<b>(1,026)</b>
	<b>(41,898)</b>	<b>(226)</b>	<b>(42,124)</b>

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29.1. Included in the above figures are provisions against recurring debtors as shown in Note 28. The Council's level of provisions for the write off of arrears on recurring debt has increased by £0.5 million in 2006/07, the increase in the provisions against Council Tax offset by reductions in provisions against other debtors (largely commercial property income):

	<b>2006/07</b>	2005/06
	<b>£m</b>	£m
Provisions for bad debts		
Housing rents	<b>10.4</b>	10.2
Homelessness	<b>2.0</b>	1.9
Non domestic rates	<b>4.1</b>	3.4
Council Tax	<b>15.6</b>	12.0
Other debtors	<b>5.5</b>	9.6
	<b>37.6</b>	37.1

**30. INVESTMENTS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Temporary investments	<b>256,923</b>	275,125
Less: Sums invested on behalf of Trust Funds	<b>(1,957)</b>	(2,139)
	<b>254,966</b>	272,986

30.1. Temporary investments includes funds managed externally on behalf of the Council, the book cost of which was £26.655 million (£25.739 million 2005/06) with a market value of £27.062 million (£25.897 million 2005/06).

**31. BORROWING REPAYABLE ON DEMAND OR WITHIN 12 MONTHS**

31.1. Long term loans that are repayable immediately or have less than 12 months remaining as at 31<sup>st</sup> March are shown under current liabilities:

	Range of Interest rates payable (%)	<b>Total outstanding</b>	
		<b>2006/07</b>	2005/06
		<b>£000</b>	£000
Stock		<b>(54)</b>	(54)
Mortgages	3.25 to 5.06		(11)
		<b>(54)</b>	(65)

**32. CREDITORS**

32.1. Creditors represent the amounts owed by the Council to other parties.

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Government departments and other public bodies	<b>(18,655)</b>	(20,383)
Income received in advance	<b>(21,373)</b>	(22,737)
Accrued debt interest	<b>(15,077)</b>	(10,857)
Council tax payers	<b>(4,393)</b>	(6,485)
Creditors attributable to schools' accounts	<b>(3,965)</b>	(2,522)
Business rates payers	<b>(3,335)</b>	(1,333)
Sundry creditors	<b>(47,396)</b>	(36,520)
<b>Total</b>	<b>(114,194)</b>	(100,837)

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**33. LONG TERM BORROWING**

33.1. Long term loans that are repayable on demand or have less than 12 months remaining as at 31<sup>st</sup> March are disclosed separately, Note 31 above.

33.2. Sources of loans:

	Range of Interest rates payable (%)	Total outstanding	
		2006/07 £000	2005/06 £000
Mortgages	3.25 to 5.06	0	(123)
PWLB loans	4.25 to 10.75	(693,709)	(693,709)
		<b>(693,709)</b>	<b>(693,832)</b>

33.3. Maturity dates of loans:

	2006/07 £000	2005/06 £000
from 1 year to 2 years	(21,362)	(12)
from 2 years to 5 years	(151,982)	(144,683)
from 5 years to 10 years	(244,135)	(272,907)
after 10 years	(276,230)	(276,230)
	<b>(693,709)</b>	<b>(693,832)</b>

**34. PROVISIONS**

	Balance 31/3/05 £000	Movement in 05/06 £000	Balance 31/3/06 £000
Insurance claims	(5,773)	(539)	(6,312)
Taxation	(158)	35	(123)
Asylum seekers grant	0	(388)	(388)
Subsidy loss rebates	(678)	678	0
Tax on leasing subsidy	(17,721)	3,544	(14,177)
Housing Benefits subsidy loss	(1,391)	(66)	(1,457)
Regeneration – redundancy costs	(13)	0	(13)
Potters Field legal costs	(51)	51	0
s117 Social Services claims	(146)	146	0
Refund of asset sale	(150)	150	0
Housing contract disputes	(1,089)	253	(836)
Other provisions individually less than £100,000	(64)	(457)	(521)
	<b>(27,234)</b>	<b>3,407</b>	<b>(23,827)</b>

34.1. Between 1983 and 1985 the Council entered into tax variable leases to finance the cost of major improvements in its housing stock. Lessors' entitlement to capital allowances was the subject of a House of Lords ruling in a test case not involving the Council. The Council claimed and received housing subsidy on the additional lease rentals in respect of the years 1996/97 to 1998/99, against which further provision for outstanding liabilities of £17.721 million was made, shown as Tax on leasing subsidy. This provision is now being released as the risk of liability declines.



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**35. GRANTS DEFERRED ACCOUNT**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance as at 1 <sup>st</sup> April 2006	<b>(97,937)</b>	(73,397)
Capital grants received in the year	<b>(41,048)</b>	(31,433)
Amortisation	<b>1,756</b>	1,048
Transfers to Capital Financing Account		
- Capital grant funding	<b>9,624</b>	3,933
- Section 106 funding	<b>3</b>	516
- Grants written down	<b>4,474</b>	308
Adjustment for prior years' debtors	<b>0</b>	1,088
 <b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(123,128)</b>	(97,937)
 Represented by :		
Grants "applied" to be amortised to revenue accounts over the life of the completed scheme	<b>(101,292)</b>	(77,105)
Grants earmarked for future capital commitments	<b>(21,836)</b>	(20,832)
 <b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(123,128)</b>	(97,937)

35.1. Included in the above totals is £13.705 million in respect of planning gains at 31<sup>st</sup> March 2007 (£13.203 million at 31<sup>st</sup> March 2006).

**36. DEFERRED RECEIPTS**

36.1. The balance is made up as follows:

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Where the Council has granted a mortgage but no cash advance on the sale of Council dwellings	<b>(1,860)</b>	(609)
Charges on leaseholders' property for major works	<b>(506)</b>	(873)
	<b>(2,366)</b>	(1,482)

**37. DEFERRED CREDITS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance brought forward	<b>(549)</b>	(5,535)
Amounts written to revenue	<b>84</b>	559
Additional amounts written to revenue	<b>0</b>	4,427
 <b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(465)</b>	(549)

37.1. Deferred credits are discounts received on restructuring the Council's external loan debt.

37.2. In 2005/06 additional charges to revenue were carried out, to fully write down the General Fund share of the outstanding premiums and discounts. The balance at 31<sup>st</sup> March 2007 represents discounts attributable to the Housing Revenue Account only, which will continue to be amortised over periods matching the requirement to charge against the receipt of Housing Subsidy.

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**38. ANALYSIS OF NET ASSETS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Housing Revenue Account	<b>2,082,392</b>	1,920,151
General Fund	<b>305,778</b>	309,099
<b>Net assets shown in the Balance Sheet</b>	<b>2,388,170</b>	2,229,250

**39. CAPITAL FINANCING ACCOUNT**

	HRA	General Fund	<b>2006/07</b>	2005/06
	£000	£000	<b>Total</b>	Total
			<b>£000</b>	£000
Balance as at 1 <sup>st</sup> April 2006	(527,595)	(229,696)	<b>(757,291)</b>	(719,912)
Capital financing				
- capital receipts	(20,002)	(15,925)	<b>(35,927)</b>	(26,289)
- revenue	(9,121)	(2,848)	<b>(11,969)</b>	(8,462)
- Section 106	(3)	0	<b>(3)</b>	(516)
- capital grants applied	(480)	(9,144)	<b>(9,624)</b>	(3,933)
- MRA applied	(33,694)	0	<b>(33,694)</b>	(49,219)
Amortisation of deferred charges	607	7,796	<b>8,403</b>	5,584
Depreciation	37,330	12,180	<b>49,510</b>	46,050
Impairment	0	(3,172)	<b>(3,172)</b>	2,715
Minimum Revenue Provision	0	(2,204)	<b>(2,204)</b>	(1,945)
Other accounting entries				
- grants amortisation	(95)	(1,661)	<b>(1,756)</b>	(1,048)
- grants write down for changes to work in progress	(1,988)	(2,486)	<b>(4,474)</b>	(308)
- other adjustments	0	0	<b>0</b>	(8)
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b>(555,041)</b>	<b>(247,160)</b>	<b>(802,201)</b>	<b>(757,291)</b>

**40. FIXED ASSET RESTATEMENT ACCOUNT**

	HRA	General Fund	<b>2006/07</b>	2005/06
	£000	£000	<b>Total</b>	Total
			<b>£000</b>	£000
Balance as at 1 <sup>st</sup> April 2006	(1,387,467)	(124,516)	<b>(1,511,983)</b>	(2,074,838)
Adjustments for previous years	(55,040)	18,823	<b>(36,217)</b>	(8,611)
Unrealised loss/(gains) from revaluation of fixed assets	(82,266)	(24,057)	<b>(106,323)</b>	512,600
Value of assets disposed of	20,061	6,859	<b>26,920</b>	58,866
<b>Balance at 31<sup>st</sup> March 2007</b>	<b>(1,504,712)</b>	<b>(122,891)</b>	<b>(1,627,603)</b>	<b>(1,511,983)</b>

40.1. Adjustments for previous years reflects the identification of assets that have become non-operational, including council housing buildings being prepared for redevelopment. The adjustments also include restatements which are the result of greater refinement in the approach to valuation, where garages and halls have been separately identified and valued.

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**41. PENSIONS RESERVE**

41.1. The Pensions Reserve is a non-distributable reserve, arising from accounting for pensions under FRS 17.

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance at 1 <sup>st</sup> April 2006	<b>260,530</b>	281,862
Actuarial (gain)/loss - Council pension fund	<b>(6,700)</b>	(33,100)
Actuarial (gain)/loss - LPFA pension fund	<b>(2,056)</b>	3,819
Settlement of actual pensions' contributions against liabilities due, to the Statement of Movement on the General Fund Balance	<b>4,148</b>	8,314
Reconciling items to the Pensions Liability	<b>(10)</b>	(365)
<b>Balance at 31<sup>st</sup> March 2007</b>	<b><u>255,912</u></b>	<u>260,530</u>

41.2. Movement in the actuarial gains and losses are shown in more detail in Note 16 above.

**42. USABLE CAPITAL RECEIPTS RESERVE**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance as at 1 <sup>st</sup> April 2006	<b>(83,604)</b>	(70,032)
Gross capital receipts from sale of assets	<b>(46,528)</b>	(94,447)
Less:		
Transfer to the Income and Expenditure Account	<b>18,334</b>	54,586
Capital receipts used for financing capital expenditure	<b>35,927</b>	26,289
<b>Balance as at 31<sup>st</sup> March 2007</b>	<b><u>(75,871)</u></b>	<u>(83,604)</u>

42.1. Under the Local Government Act 2003, part of the proceeds from the sale of housing assets are paid to the Government, on the basis of 75% from the sales of dwellings and 50% from the sale of land and other housing assets. The payment is reflected in the Income & Expenditure Account, matched by a release from the Usable Capital Receipts Reserve in the Statement of Movement in the General Fund Balance.

**43. MODERNISATION, SERVICE & OPERATIONAL IMPROVEMENT RESERVE**

43.1. This reserve is for one-off expenditure and multi-year projects that are designed to modernise and improve service levels and operational efficiency of Southwark's activities, in particular to assist accommodation pressures. The use of the reserve is subject to a protocol listing admissible items in accordance with the Council's Medium Term Financial Strategy.

	Balance	Movement	Balance
	31/3/06	in 06/07	31/3/07
	£000	£000	£000
Modernisation, Service & Operational Improvement Reserve	<u>(8,846)</u>	3,479	<b><u>(5,367)</u></b>

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**44. REGENERATION & DEVELOPMENT RESERVE**

44.1. In a similar way to the Modernisation, Service & Operational Improvement Reserve, this reserve is to fund one-off expenditure and multi-year projects to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Aylesbury Estate, Southwark Schools for the Future, Waste PFI, and land acquisitions associated with these projects. The creation and movement in the year is partly from the consolidation of other balances as well as new resources in 2006/07

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Regeneration & Development Reserve	(8,330)	(5,831)	<b>(14,161)</b>

**45. FINANCIAL RISK RESERVE**

45.1. This reserve is set aside against future financial risks that may arise. For example, taxation risk, legislative changes including actions involving the Greater London Authority, major projects, risks as a result of unavoidable changes in accounting practice, and circumstances not provided for within the Insurance Reserve.

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Financial Risk Reserve	(7,678)	2,133	<b>(5,545)</b>

**46. SCHOOLS' BALANCES**

46.1. Funds held by schools and other Education establishments. The totals are net balances:

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Funds held by schools	(11,585)	858	<b>(10,727)</b>
Nursery school balances	(1,592)	548	<b>(1,044)</b>
	<b>(13,177)</b>	<b>1,406</b>	<b>(11,771)</b>

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**47. OTHER EARMARKED RESERVES**

47.1. Funds set aside to finance specific projects or meet future planned commitments:

	Balance 31/3/06 £000	Movement in 06/07 £000	Balance 31/3/07 £000
Equalities programme	(134)	44	(90)
Internal audit contracts	(235)	31	(204)
Town Hall complex building enhancements	(285)	151	(134)
CSC advance payment (Note 19.12.2)	(3,108)	2,524	(584)
CSC back office developments	(722)	67	(655)
IT de-commissioning	(472)	472	0
Sheltered wardens	(15)	15	0
GIS	(130)	0	(130)
Peckham Pulse	(2,150)	1,615	(535)
Schools asset management plans	(100)	100	0
Planned Maintenance Fund	(1,201)	1,027	(174)
Housing Benefits Subsidy equalisation	(2,684)	0	(2,684)
Housing Benefits losses on claims	(3,805)	0	(3,805)
Future pensions commitments (Note 19.12.3)	(3,000)	0	(3,000)
E-Payments project	0	(100)	(100)
Legal and democratic services improvement programme	0	(65)	(65)
CSC business process review	0	(293)	(293)
Fraud investigations	0	(48)	(48)
Capital contingency	0	(2,500)	(2,500)
Landfill Allowance Trading Scheme	(17)	(237)	(254)
	<b>(18,058)</b>	<b>2,803</b>	<b>(15,255)</b>

47.2. CSC advance payment, £0.584 million. This is a non cash backed reserve. In 2004/05 the Council made an upfront payment for the development of the Customer Service Centre of £10 million. Accounting practice requires that the payment is not shown in the Consolidated Revenue Account in the year the payment is made, but spread over the years in which the benefit from the upfront payment arises. This item represents the balance of funding required to be spread over the remaining year, 2007/08.

47.3. Future pensions commitments, £3 million, above. The Government introduced new regulations for local authority pensions from 2004/05, increasing retirement ages. However, the regulations have not yet been implemented by the Government. If the regulations remain unimplemented, or are implemented at a much later date, there will be significant increased costs to the General Fund in 2007/08 and later years, which this reserve will meet a proportion thereof.

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47.4. Departmental under/over spends and balances carried forward:

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
DSO	(61)	0	<b>(61)</b>
Regeneration cleaner, greener initiatives	(142)	142	<b>0</b>
Strategic Services management and development	(150)	0	<b>(150)</b>
Signage	(349)	241	<b>(108)</b>
Schools reorganisation costs	(315)	165	<b>(150)</b>
Blackfriars trust allocation	(138)	0	<b>(138)</b>
Waste PFI	(200)	0	<b>(200)</b>
On street parking	(304)	158	<b>(146)</b>
Election costs	(800)	366	<b>(434)</b>
Every Child Matters	(163)	163	<b>0</b>
One-off growth programme 2005/06	(63)	63	<b>0</b>
Local Public Sector Agreements	(1,802)	2	<b>(1,800)</b>
Local Authority Business Growth Incentive	(1,469)	1,469	<b>0</b>
Adult Learning	0	136	<b>136</b>
Street trading account	0	120	<b>120</b>
	<b>(5,956)</b>	<b>3,025</b>	<b>(2,931)</b>

47.5. Funds set aside to meet future risks or programmes not yet fully committed:

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Schools in financial difficulties and schools closures and academies	(1,203)	(361)	<b>(1,564)</b>
Interest equalisation	(4,000)	0	<b>(4,000)</b>
Commutation adjustment	(1,708)	0	<b>(1,708)</b>
Insurance	(8,651)	(27)	<b>(8,678)</b>
Other reserves individually less than £100,000	(485)	(19)	<b>(504)</b>
	<b>(16,047)</b>	<b>(407)</b>	<b>(16,454)</b>

47.6. Summary of other earmarked reserves:

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Specific projects and planned commitments	(18,058)	2,803	<b>(15,255)</b>
Departmental (under)/over spends	(5,956)	3,025	<b>(2,931)</b>
Future risks and programmes not yet fully committed	(16,047)	(407)	<b>(16,454)</b>
	<b>(40,061)</b>	<b>5,421</b>	<b>(34,640)</b>

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**48. ANALYSIS OF GRANTS SHOWN IN CASH FLOW STATEMENT**

		2006/07 £000	2005/06 £000
Revenue support grant and pool contribution	48.1	(115,205)	(354,652)
Housing subsidy		(60,377)	(65,460)
Education grants	48.1	(258,330)	(78,847)
Housing benefits (excluding rent rebates)		(157,119)	(132,500)
Other grants		(60,698)	(67,754)
		<u>(651,729)</u>	<u>(699,213)</u>

48.1. In 2006/07 the Government moved to funding schools by specific grant, Dedicated Schools Grant, rather than through the allocation of Revenue Support Grant.

**49. RECONCILIATION OF NET REVENUE DEFICIT/(SURPLUS) CASH FLOW FOR THE YEAR**

	2005/06		2005/06	
	£000	£000	£000	£000
Net expenditure/(income) on General Fund		(1,278)		(6,568)
Net expenditure/(income) on HRA and Major Repairs Reserve		(8,662)		8,086
Net expenditure/(income) on Collection Fund		1,827		758
<b>Total</b>		<u>(8,113)</u>		<u>2,276</u>
Net revenue income as per cash flow statement		(106,811)		(12,492)
Net interest paid as per cash flow statement		41,447		41,135
Add:				
Decrease in stocks and work in progress		903		398
Increase in creditors		13,357		0
Depreciation and capital payments		59,523		58,275
Decrease in deferred debits		4,493	78,276	9,014
		<u>78,276</u>		<u>67,687</u>
Less:				
Decrease in deferred credits		(84)		(4,986)
Increase in debtors		(4,729)		(18,356)
Decrease in creditors		0		(41,792)
Decrease in Provisions and Reserves		(16,212)	(21,025)	(28,920)
<b>Total</b>		<u>(8,113)</u>		<u>2,276</u>

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

	<b>2006/07 £000</b>	2005/06 £000
Long term loans		
Balance as at 1 <sup>st</sup> April	<b>693,897</b>	648,909
Repayments of amounts borrowed	<b>(134)</b>	0
New borrowings	<b>0</b>	44,988
Balance as at 31 <sup>st</sup> March	<u><b>693,763</b></u>	<u>693,897</u>
Short term borrowing		
Balance as at 1 <sup>st</sup> April	<b>0</b>	0
Repayments of amounts borrowed	<b>0</b>	0
New borrowings	<b>0</b>	0
Balance as at 31 <sup>st</sup> March	<u><b>0</b></u>	<u>0</u>

**51. LIQUID RESOURCES**

51.1. The Council's investments are analysed as either realisable or liquid resources for the purpose of the cashflow statement. Realisable investments are those which are immediately available, for example being held in deposit or call accounts, or can be received the next working day. Liquid resources are those investments that are being held for longer than one day though can be accessed earlier but at a penalty. All the Council's investments are in money market instruments.

51.2. The reconciliation of the movement in liquid resources to the Balance Sheet is as follows:

	Balance 31/3/06 £000	Movement in 06/07 £000	<b>Balance 31/3/07 £000</b>
Investments, liquid resources	213,610	(64,112)	<b>149,498</b>
Investments, realisable investments	59,376	46,092	<b>105,468</b>
Investments, Balance Sheet	<u>272,986</u>	<u>(18,020)</u>	<u><b>254,966</b></u>

**52. INSURANCE**

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

Type of Insurance	Excess £	Effective from
Property - general	500,000	1 <sup>st</sup> May 2003
Property - housing fire	100,000	1 <sup>st</sup> May 2002
All risks	100,000	1 <sup>st</sup> May 2002
Motor	112,500	1 <sup>st</sup> Oct 2006
Liability	100,000	1 <sup>st</sup> May 2003
Fidelity guarantee	10,000	1 <sup>st</sup> May 2002

52.2. Provisions of £6.312 million (£5.773 million 2005/06) have been made for outstanding claims and £8.677 million (£8.651 million 2005/06) have been reserved out of General Fund balances to meet other potential losses.

52.3. The insurance reserve is a general allocation for risks that are unquantified or unknown at this time. In the unlikely event that this reserve is inadequate, the Council has also provided for a Financial Risk Reserve and has contingency through its general balance.



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**53. EURO DISCLOSURE**

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

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**HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT**

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

	Note	2006/07 £000	2005/06 £000
<b>Income</b>			
Dwelling rents		(143,452)	(138,375)
Non dwelling rents		(8,533)	(8,382)
Charges for services and facilities		(50,822)	(42,862)
Contributions towards expenditure		(5,589)	(6,446)
HRA subsidy receivable (including MRA)	1	(60,756)	(68,880)
<b>Total income</b>		<b>(269,152)</b>	<b>(264,945)</b>
<b>Expenditure</b>			
Repairs and maintenance		54,738	53,618
Supervision and management		100,774	103,149
Rents, rates, taxes and other charges		3,520	3,206
Depreciation and impairment of fixed assets	2	37,330	36,986
Debt management expenses		308	292
Amortisation of deferred charges	3	607	859
<b>Total expenditure</b>		<b>197,277</b>	<b>198,110</b>
<b>Net Cost of HRA Services included in the Council's Income and Expenditure Account</b>		<b>(71,875)</b>	<b>(66,835)</b>
HRA share of CDC costs		1,035	1,010
<b>Net Cost of HRA Services</b>		<b>(70,840)</b>	<b>(65,825)</b>
Gains and losses on the sales of HRA fixed assets		(2,646)	0
Interest payable		51,472	50,554
Amortisation of premiums and discounts		4,409	4,900
HRA Investment Income		(1,334)	(1,072)
Pensions interest cost and expected return on pensions assets		177	855
<b>Total Surplus for the year on HRA services</b>		<b>(18,762)</b>	<b>(10,588)</b>

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**STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT  
BALANCE**

This is a reconciliation statement summarising the differences between the outturn on the HRA Income and Expenditure Account 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, the statutory requirements of accounting for the HRA requires a number of items to be included or removed from the Account.

	<b>Note</b>	<b>2006/07 £000</b>	2005/06 £000
Total Surplus for the year on HRA services		<b>(18,762)</b>	(10,588)
Net additional amount required by statute	<b>4</b>	<b>13,334</b>	6,124
Increase in the HRA Balance		<b>(5,428)</b>	(4,464)
HRA Balance brought forward		<b>(31,994)</b>	(27,530)
Balance carried forward	<b>5</b>	<b>(37,422)</b>	(31,994)

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**NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS**

**1. HRA SUBSIDY**

- 1.1. Subsidy is receivable from the Government on the basis of assumptions made for the major income and expenditure headings within the Housing Revenue Account (HRA). These assumptions form a notional account (see below), the balance of which forms the 'Housing Element' of subsidy.
- 1.2. In 2006/07 a new Rental Constraint Allowance was introduced to compensate authorities for income lost as a result of implementing caps on formula rents, limits on individual rent increases and an overall 5% limit on the increase in average rent.
- 1.3. The HRA is charged for any limitation of (General Fund) Housing Benefit Subsidy. Average rent and relevant service charges were 0.25% above the rebate rent limit, resulting in a limitation deduction in 2006/07.

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Management & Maintenance allowances	<b>(103,997)</b>	(96,357)
Major Repairs Allowance	<b>(36,308)</b>	(35,908)
Capital Charges subsidy	<b>(67,910)</b>	(68,009)
Other Expenditure (leased assets) subsidy	<b>(1,719)</b>	(1,662)
Rental Constraint Allowance	<b>(1,944)</b>	0
Interest on Receipts deduction	<b>70</b>	87
Guideline rent income deduction	<b>150,825</b>	136,347
Housing Element subsidy	<b>(60,983)</b>	(65,502)
Housing Benefit subsidy limitation deduction	<b>227</b>	0
Total Housing Subsidy	<b>(60,756)</b>	(65,502)

**2. DEPRECIATION CHARGE**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Dwellings	<b>36,308</b>	35,908
Other property	<b>1,022</b>	1,078
	<b>37,330</b>	36,986

**3. DEFERRED CHARGES**

- 3.1. Deferred charges represent expenditure which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset. HRA deferred charges are cash incentive payments (grants to tenants as an incentive to vacate their properties and purchase private accommodation), and statutory home loss payments where the Council necessarily relocates tenants to other accommodation.
- 3.2. HRA deferred charges are included in the figures presented at Note 24 to the balance sheet (page 35):

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance at 1 <sup>st</sup> April	<b>0</b>	0
Expenditure in the year	<b>607</b>	832
Amortisation in the year	<b>(607)</b>	(832)
<b>Balance as at 31<sup>st</sup> March</b>	<b>0</b>	0

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

	<b>2006/07 £000</b>	<b>2005/06 £000</b>
<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year</b>		
Amortisation of deferred changes and credits from the grants deferred account	1,956	(456)
Gains and losses on the sales of HRA fixed assets	2,646	0
Net charges made for retirement benefits in accordance with FRS 17	<u>(3,527)</u>	<u>(4,201)</u>
	<b>1,075</b>	<b>(4,657)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year</b>		
Transfer to/(from) Major Repairs Reserve	(1,022)	(1,078)
Employer's contributions payable to pension funds and retirement benefits payable direct to pensioners	4,160	3,397
Capital expenditure funded by the HRA	<u>9,121</u>	<u>8,462</u>
	<b>12,259</b>	<b>10,781</b>
<b>Net additional amount required by statute to be charged to the HRA</b>	<b><u>13,334</u></b>	<b><u>6,124</u></b>

**5. HRA BALANCE**

5.1. HRA reserves at 31st March 2007 are £37.4 million. The increase in the reserves from £32.0 million arises from the additional provision regarding the Council's Investment Programme, less the release of bad debts provisions, housing subsidy provisions and improved income collection. The reserves are allocated as follows:

	<b>2006/07 £m</b>	<b>2005/06 £m</b>
Earmarked reserves	31.7	24.4
Working balances	5.7	7.6
<b>Balance at 31<sup>st</sup> March 2007</b>	<b><u>37.4</u></b>	<b><u>32.0</u></b>

5.2. Earmarked reserves comprise:

- Contingency Fund, £13.0 million - reserve held similar to that in the General Fund, representing 3% of gross HRA spend, and an additional 2% relating to overprogramming and other potential overspends in the Council's Investment Programme.
- Insurance reserve, £2.0 million - self-insurance fund against risk of subsidence in own stock.
- Office accommodation, £0.8 million - planned maintenance and office refurbishment programme.
- Heating account, £0.1 million - provision against potential increases in fuel costs.
- Customer Services Centre, £0.3 million - amortisation of the third year of costs attributable to the HRA. The full costs will be written down over 4 years.
- IT modernisation, £2.2 million - investment in infrastructure, e-government and customer access.
- Leasehold Income, £1.9 million - a reserve created to fund leasehold income losses in the future.
- Decent Homes, £3.5 million - a contribution towards the Council's Decent Homes programme.

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- Interest equalisation, £2.5 million - proposed debt restructuring means that a reserve is required to equalise any potential future interest payments arising. The allocation would also protect against adverse movements in market interest rates, both on investment income and debt cost.
- Housing Management reorganisation, £2.0 million - following high-level changes in the Council's management of this service, this reserve is required to meet any additional costs arising from restructuring of the service itself.
- Major Projects, £3.4 million - regeneration of Elephant and Castle and Aylesbury.

5.3. Working balances comprise:

- Service delivery improvements, £5.6 million - primarily to repair and maintain the housing stock, and improvements and new initiatives to enhance service provision to tenants and leaseholders.
- Redevelopment, regeneration and investment, £0.1 million - costs associated with redevelopment and regeneration works, principally associated security costs.

**6. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING**

Type of dwelling	Number of bedrooms					Total	
	1	2	3+	Other	31/3/07	31/3/06	
Houses and bungalows							
	<b>31/3/07</b>	<b>413</b>	<b>755</b>	<b>2,984</b>	<b>0</b>	<b>4,152</b>	
	31/3/06	415	759	2,998	0		4,172
Low rise flats							
	<b>31/3/07</b>	<b>3,112</b>	<b>708</b>	<b>388</b>	<b>0</b>	<b>4,208</b>	
	31/3/06	3,164	767	395	0		4,326
Medium rise flats							
	<b>31/3/07</b>	<b>7,173</b>	<b>7,669</b>	<b>6,650</b>	<b>0</b>	<b>21,492</b>	
	31/3/06	7,171	7,663	6,693	0		21,527
High rise flats							
	<b>31/3/07</b>	<b>3,840</b>	<b>5,294</b>	<b>1,864</b>	<b>0</b>	<b>10,998</b>	
	31/3/06	3,878	5,409	1,936	0		11,223
Non permanent							
	<b>31/3/07</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>29</b>	
	31/3/06	0	0	0	36		36
Multi occupied							
	<b>31/3/07</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>207</b>	<b>207</b>	
	31/3/06	0	0	0	200		200
<b>TOTALS</b>	<b>31/3/07</b>	<b>14,538</b>	<b>14,426</b>	<b>11,886</b>	<b>236</b>	<b>41,086</b>	
	31/3/06	14,628	14,598	12,022	236		42,863

**7. ASSET VALUATIONS**

7.1. The values of HRA operational assets, as included in Note 23 to the Balance Sheet on page 32 are shown in the table below.

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Dwellings	<b>2,382,301</b>	2,322,010
Other land and buildings	<b>50,242</b>	84,452
	<b>2,432,543</b>	2,406,462

7.2. The vacant possession value of dwellings within the HRA at 1<sup>st</sup> April 2006 was £6.373 billion. The Balance Sheet value is lower because nearly all the dwellings are occupied, and because the rents for secure tenancies are below market value.

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**8. MAJOR REPAIRS RESERVE**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Balance at 1 <sup>st</sup> April 2006	<b>(10,732)</b>	(23,283)
Transfers from the Capital Financing Reserve	<b>(37,330)</b>	(36,986)
Transfer to the HRA	<b>1,022</b>	1,078
Interest received	<b>(620)</b>	(760)
Financing of capital expenditure	<b>33,694</b>	49,219
<b>Balance at 31<sup>st</sup> March 2007</b>	<b><u>(13,966)</u></b>	<b><u>(10,732)</u></b>

**9. CAPITAL**

CAPITAL EXPENDITURE	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Funding Source:		
Revenue contributions	<b>9,121</b>	8,462
Supported borrowing approvals	<b>15,299</b>	24,318
Capital receipts from the sales of assets	<b>20,003</b>	7,420
Grants and other contributions	<b>482</b>	402
Major Repairs Reserve	<b>33,694</b>	49,219
<b>Total HRA capital expenditure</b>	<b><u>78,599</u></b>	<b><u>89,821</u></b>
RECEIPTS FROM ASSET DISPOSALS	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Land	<b>1,431</b>	1,287
Buildings	<b>34,691</b>	80,769
Other receipts	<b>0</b>	1,184
<b>Total HRA capital receipts</b>	<b><u>36,122</u></b>	<b><u>83,240</u></b>

**10. FRS 17 - ACCOUNTING FOR RETIREMENT BENEFITS**

10.1. The HRA is presented in accordance with the requirement to account for retirement benefits under the principles of FRS 17. Further information on accounting for FRS 17 is given in Note 16 on page 24.

10.2. The apportionment of charges to the HRA under FRS 17 is based on the ratio of employer payroll costs incurred by the Council of 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 and the expected return on pensions assets.

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**11. HOUSING TENANTS ACCOUNTS**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
Gross Arrears at 1 <sup>st</sup> April	<b>16,806</b>	17,942
Prior Year Payments	<b>(3,473)</b>	(3,185)
Arrears at 1 April 2005	<b>13,333</b>	14,757
Charges due in the year	<b>165,831</b>	156,483
Rent Rebates	<b>(82,556)</b>	(78,239)
Write offs	<b>(1,840)</b>	(3,722)
Adjustments	<b>42</b>	785
Cash collected	<b>(81,572)</b>	(76,731)
Net Arrears at 31 March	<b>13,238</b>	13,333
Payments in Advance	<b>4,117</b>	3,473
Gross Arrears at 31 <sup>st</sup> March	<b>17,355</b>	16,806

11.1. The arrears position as at 31<sup>st</sup> March 2007 includes Neighbourhoods, Browning EMB, hostels and miscellaneous properties. It excludes Tenant Management Organisations, Bed & Breakfast and Travellers Sites.



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**COLLECTION FUND**

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

**INCOME AND EXPENDITURE ACCOUNT**

	Notes	<b>2006/07 £000</b>	2005/06 £000
<b>Income</b>			
Income from Council Tax	1	<b>(82,368)</b>	(77,027)
Transfers from the General Fund, Council Tax benefits		<b>(23,994)</b>	(24,049)
Income collectable from business ratepayers	2	<b>(108,024)</b>	(102,040)
Total Income		<b>(214,386)</b>	(203,116)
<b>Expenditure</b>			
Precepts and Demands			
GLA		<b>26,433</b>	22,820
London Borough of Southwark		<b>77,287</b>	75,600
Non Domestic Rates			
Payment to National Pool		<b>107,370</b>	101,385
Cost of collection allowance		<b>654</b>	655
Provision for bad and doubtful debts			
Council Tax		<b>3,650</b>	159
Council Tax write offs		<b>796</b>	3,254
Contribution to preceptors from previous year's Collection Fund surplus	3	<b>23</b>	1
Total Expenditure		<b>216,213</b>	203,874
Net deficit/(surplus) for the year		<b>1,827</b>	758
Deficit/(surplus) at 1 <sup>st</sup> April		<b>(528)</b>	(1,286)
Deficit/(surplus) at 31 <sup>st</sup> March		<b>1,299</b>	(528)

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**NOTES TO THE COLLECTION FUND**

**1. COUNCIL TAX**

1.1. Council Tax derives from charges raised according to the value of residential properties that have been classified into 8 valuation bands using estimated 1<sup>st</sup> April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and preceptors for the forthcoming year and dividing this by the Council Tax base (the total number of properties liable to tax, expressed as a band D equivalent). This basic amount of Council Tax for a band D property (£1,132.75 in 2006/07 and £1,098.76 in 2005/06) is multiplied by the proportion specified for the particular band to give an individual amount due.

1.2. Council Tax bills were based on the following:

Band	Estimated number of properties after effect of discounts		Ratio	Equivalent number of Band D properties	
	2006/07	2005/06		2006/07	2005/06
A	<b>9,611.05</b>	9,132.75	6/9	<b>6,406.84</b>	6,087.97
B	<b>29,570.40</b>	29,521.15	7/9	<b>22,999.20</b>	22,960.89
C	<b>26,043.25</b>	25,501.80	8/9	<b>23,149.56</b>	22,668.27
D	<b>15,506.10</b>	15,018.00	1	<b>15,506.10</b>	15,018.00
E	<b>10,091.95</b>	9,763.95	11/9	<b>12,334.61</b>	11,933.72
F	<b>4,725.05</b>	4,581.85	13/9	<b>6,825.07</b>	6,618.23
G	<b>3,506.35</b>	3,454.95	15/9	<b>5,843.92</b>	5,758.25
H	<b>436.00</b>	435.30	18/9	<b>872.00</b>	870.60
Total				<b>93,937.30</b>	91,915.93
	Add adjustment for contribution paid in lieu			<b>0.00</b>	5.30
	Less adjustment for collection rate			<b>(2,348.44)</b>	(2,298.03)
	Council Tax Base for year			<b>91,588.86</b>	89,623.20
	Band D tax rate multiplier			<b>£1,132.75</b>	£1,098.76
	Estimated Council Tax due in the year (Council Tax base x Council Tax)			<b>£103,747,281</b>	£98,474,387

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

**2. NATIONAL NON DOMESTIC RATES**

2.1. National Non Domestic Rates (NNDR) are organised on a national basis. The Government specifies the rates to be used: 43.3p in 2006/07 and 42.2p in 2005/06, and for small businesses 42.6p in 2006/07 and 41.5p in 2005/06. Subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by these amounts. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a national pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' general funds on the basis of a fixed amount per head of the population.

£

Rateable value at 31 <sup>st</sup> March 2006	373,904,190
Rateable value at 31 <sup>st</sup> March 2007	382,171,048

2.2. The NNDR income after relief for voids etc. of **£108.024 million** (£102.040 million for 2005/06) was based on the average rateable value for the Council area for the year. The actual rateable value fluctuates considerably throughout the year due to revaluations, voids etc.

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**3. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS**

- 3.1. The Income and Expenditure Account includes £0.528m surplus brought forward on the Collection Fund at the start of the year. The deficit for the year 2006/07 of £1.827m results in a net deficit of £1.299m on the account overall.

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**MISCELLANEOUS TRUST FUNDS**

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

**1. Trusts Funds where the Council is the sole trustee**

	Balance at 31/3/06	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/07
	£	£	£	£
Social Service Funds				
Individual bequests	45,870	2,332	0	<b>48,202</b>
Comforts Funds/residents savings	1,064,480	2,174,379	(1,759,207)	<b>1,479,652</b>
Education & Culture Trusts				
Miscellaneous	21,474	2,421	(1,062)	<b>22,833</b>
Potters Field	260,096	12,588	0	<b>272,684</b>
Environment & Leisure Trusts				
Pullens Gardens maintenance fund	99,383	4,810	0	<b>104,193</b>
	<b>1,491,303</b>	<b>2,196,530</b>	<b>(1,760,269)</b>	<b>1,927,564</b>

1.1. Included in the balance for Comforts Fund/residents savings is an amount owing to the Council of £1,277,488. This relates to a delay in processing payments due to the Council from individual care home residents. The amount is recognised as a creditor in the trust fund accounts and as a debtor in the Council's Statement of Accounts.

1.2. The purposes of the trust funds are listed below:

Individual Bequests

Joseph Taylor	Ex London County Council bequest
Frank Bezer	To provide Christmas extras to children in the Hollies or any replacement accommodation
George Baker	For the benefit of persons living in residential accommodation in Southwark
Daniel Steele	To provide extras for residents of Nye Bevan Lodge

Comfort Funds/Residents' Savings

This comprises numerous separate funds to provide "comforts" to residents of the various Social Services establishments, and savings accounts administered on behalf of the residents of those establishments

Miscellaneous

Bequests set up to provide prizes or financial assistance to students at relevant schools in the Borough

Potters Field

To maintain open space adjoining London Bridge City

Pullens Gardens maintenance fund

To meet the maintenance cost of Pullens Gardens

**2. Trust Funds where the Council is not the sole trustee**

	Balance at 31/3/06	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/07
	£	£	£	£
Funds for the relief of Council Tax				
Walworth Common Estate	933,339	45,173	(24,512)	<b>954,000</b>
Borough Market Trustees	381	3,091	(2,721)	<b>751</b>
Leisure Trusts				
Cuming Bequest	8,162	395	0	<b>8,557</b>
	<b>941,882</b>	<b>48,659</b>	<b>(27,233)</b>	<b>963,308</b>

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

2.1. The purposes of the trust funds are listed below:

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

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**PENSION FUND ACCOUNT 2006/07**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
<b>Dealings with members, employers and others directly involved in the scheme</b>		
Contributions receivable		
From employers (including admitted bodies)	<b>(27,601)</b>	(23,558)
From employees (including admitted bodies)	<b>(8,916)</b>	(8,512)
Transfers in	<b>(7,500)</b>	(8,456)
<b>Total income</b>	<b>(44,017)</b>	(40,526)
Benefits payable		
Pensions	<b>23,936</b>	22,798
Lump sums (incl. retirement and death grants)	<b>5,080</b>	3,332
Payments to and on account of leavers		
Refunds of contributions	<b>0</b>	116
Transfers out	<b>3,581</b>	7,404
Administrative expenses borne by the scheme	<b>1,173</b>	1,009
<b>Total Expenditure</b>	<b>33,770</b>	34,659
<b>Net addition from dealing with members of the fund</b>	<b>(10,247)</b>	(5,867)
<b>Returns on Investment</b>		
Investment Income		
Income from securities and pooled investment vehicles	<b>(10,247)</b>	(10,869)
Income from property pooled vehicles	<b>(938)</b>	(879)
Net rent from properties	<b>(4,046)</b>	(2,609)
Interest on cash deposits	<b>(965)</b>	(999)
Other income	<b>(313)</b>	(182)
Change in Market value of Investments	<b>(32,288)</b>	(125,712)
Investment Management Expenses	<b>3,988</b>	2,747
<b>Net increase in Fund for the year</b>	<b>(55,056)</b>	(144,370)
<b>Opening Net assets of the scheme</b>	<b>(699,443)</b>	(555,073)
<b>Closing Net assets of the scheme</b>	<b>(754,499)</b>	(699,443)

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**PENSION FUND NET ASSET STATEMENT 2006/07**

	<b>2006/07</b>	2005/06
	<b>£000</b>	£000
<b>Investment Assets</b>		
Fixed Interest Securities - UK public sector	<b>25,852</b>	25,112
Fixed Interest Securities - UK quoted	<b>0</b>	26,032
Equities	<b>341,378</b>	353,516
Index linked securities	<b>91,013</b>	80,064
Managed Funds - Property (Freehold)	<b>72,165</b>	39,730
Managed Funds - Property (Leasehold)	<b>10,720</b>	4,880
Unit Trusts - Property	<b>61,429</b>	33,415
Unit Trusts - Other	<b>126,971</b>	113,160
Deposit	<b>12,106</b>	11,925
<b>Total Investment Assets</b>	<b>741,634</b>	687,834
<b>Net Current assets and liabilities</b>		
Cash held at managers	<b>6,163</b>	1,564
Debtors	<b>2,118</b>	2,710
Creditors	<b>(709)</b>	(459)
Cash at Council	<b>5,293</b>	7,794
<b>Total net current assets and liabilities</b>	<b>12,865</b>	11,609
<b>Closing net assets of the Scheme</b>	<b>754,499</b>	699,443

**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

**NOTES TO THE PENSION FUND STATEMENTS**

**1. INTRODUCTION**

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

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

- 2.1. In 2006/07 contributions to the Fund were made by employees at 6% of salaries and wages. The Council contributed 275% of the employees' contributions. A one-off payment of £3.9 million was made as a special contribution for early and ill health retirements. In addition, external bodies admitted to the Southwark Fund contributed £1.38 million.
- 2.2. Prior to 31/3/90 the Council paid for the annual inflation updating existing pensions, which was charged directly to the General Fund. Since that date the cost of annual inflation has been charged to the Pension Fund, apart from that on compensation, gratuities and injury allowances. From 1/4/90 to 31/3/93 the Council's contribution was set to meet 75% of the potential liabilities of the Fund, on the basis of a triennial actuarial valuation. Since that date, as a result of the change in the legislation, the Council's contribution is expected to meet 100% of the liabilities.
- 2.3. The Council is required to ensure that any surplus on the Pension Fund is invested. To ensure that the investment of the Fund is carried out to the best possible advantage, investment managers deal with the day to day investment of the Fund. The Fund's new investment structure was fully implemented by December 2006 and is now managed by the following companies: Barclays Global Investors Ltd who manage an "indexed" portfolio of global equities and fixed and index linked gilts; Alliance Bernstein who manage two unconstrained global equities portfolios (one being their growth product and the other their value one); Newton Investment Management who also manage an unconstrained global equities portfolio; and Henderson Global Investors (property).
- 2.4. At 31st March 2007 Henderson Global Investors were holding a higher than normal amount of cash (£9.7 million). This has accumulated as their mandate was changed during the year to enable them to extend their investments into Europe. This had not been fully implemented by the year end.
- 2.5. The overall investment strategy is the responsibility of the Council. This responsibility is delegated to the Pensions Advisory Panel.
- 2.6. At 31<sup>st</sup> March membership of the Fund was as follows:

	<b>2006/07</b>	2005/06
Number of contributors to the Fund	<b>6,561</b>	6,526
Number of contributors and dependants receiving allowances	<b>5,806</b>	5,667
Number of contributors who have deferred their pensions	<b>4,935</b>	4,640

**3. ACCOUNTING POLICIES**

- 3.1. The Accounts have been prepared in accordance with the recommendations of SORP 1 on Pension Scheme Accounts and the CIPFA Code of Practice on Local Authority Accounting. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end (31<sup>st</sup> March 2007).
- 3.2. In order to comply with these recommendations the accounts have been prepared using the market value of equity investments and unit trusts. Foreign transactions are brought into account at the exchange rate when the transaction took place. End of year balances are calculated at the exchange rate for 31<sup>st</sup> March. Property assets have been included at market value as at 31<sup>st</sup> March. The cost of acquisition of assets, including property, is treated as a revenue cost. Income and expenditure, including management expenses, are accrued.



**LONDON BOROUGH OF SOUTHWARK  
STATEMENT OF ACCOUNTS 2006/07**

- 3.3. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 deal with the choice of investment managers, terms of their appointment, review of their performance and use and investment of pension fund money together with restrictions on such investments. In managing the Fund the investment manager must take into account:
- That Fund money must be invested in a wide variety of investments
  - The suitability of those types of investment for the Fund
  - The suitability of any particular investment of that type.
- 3.4. The Authority has to keep the investment manager's performance under review and at least once every three months review the investments made, and periodically consider whether or not to retain the manager.
- 3.5. In addition the administering Authority is under a duty to invest any Fund money not needed immediately to make payments, with power to vary those investments and a duty to formulate an investment policy with a view to:
- The advisability of investing Fund money in a wide variety of investments
  - The suitability of particular investments and types of investments.

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

**4. ACTUARIAL POSITION OF THE FUND**

- 4.1. A full revaluation of the Fund was carried out as at 31<sup>st</sup> March 2004. This revealed that the Fund showed an actuarial deficit of £165 million, a level of funding of 75%. The market value of investments as at 31<sup>st</sup> March 2004 was £493 million.
- 4.2. In order to eliminate the past service deficit the actuary has recommended that the Employers contribute at the rate of 275% of members' contributions with effect from 1<sup>st</sup> April 2005. They advise that, if their assumptions are borne out in practice, this rate is likely to be required for about 18 years before reverting to the long term rate of 175% of members' contributions. Special contributions should be paid for early retirements and ill health retirements since the assessment does not make any allowance for the extra liabilities arising from such retirements.
- 4.3. The contribution rates have been calculated using the smoothed market related valuation of assets and the projected unit method of valuing liabilities. The following financial assumptions have been used:

Rate of return on assets	- after retirement	Admitted Bodies	5.2% p.a.
		Other Employers	6.2% p.a.
	- before retirement	Admitted Bodies	5.2% p.a.
		Other Employers	6.2% p.a.
	- long term		6.55% p.a.
Rate of pay increases			4.4% p.a.
Rate of pensions increases			2.9% p.a.

**5. CONTRIBUTIONS RECEIVABLE AND BENEFITS PAYABLE**

- 5.1. The total contributions receivable for 2006/07 are analysed as follows:

	Employees	Employers	2006/07 Total £000	2005/06 Total £000
	£000	£000		
Southwark Council	8,646	26,487	<b>35,133</b>	30,687
Admitted bodies	270	1,114	<b>1,384</b>	1,383
<b>Total</b>	<b>8,916</b>	<b>27,601</b>	<b>36,517</b>	<b>32,070</b>

**LONDON BOROUGH OF SOUTHWARK  
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- 5.2. During the year Botes went into administration and were no longer an admitted body at the year end. The Fund's actuaries have calculated that the total amount owed by Botes is £408,000. This has been included in the accounts as a debtor.
- 5.3. During 2006/07 employees made Additional Voluntary Contributions (AVCs) of £77,315. AVCs are managed by external providers who invest them separately from the rest of the Pension Fund. The main AVC provider is Scottish Equitable, with Prudential being the provider for those employees who are members of the London Pension Fund Authority.
- 5.4. The total benefits payable for 2006/07 are analysed as follows:

	Pensions £000	Lump sums £000	<b>2006/07 Total £000</b>	2005/06 Total £000
Southwark Council	23,716	4,696	<b>28,412</b>	25,797
Admitted bodies	220	384	<b>604</b>	333
<b>Total</b>	<b>23,936</b>	<b>5,080</b>	<b>29,016</b>	26,130

**6. RELATED PARTY TRANSACTIONS**

- 6.1. The Council is required to disclose details of its financial relationship with related third parties. This has been defined as where the related party has, or is perceived to have, real influence over any transaction between the parties.
- 6.2. In respect of the Pension Fund, the Council recognises that the following bodies have a related party relationship with the Pension Fund -
- The Council
  - The Fund Managers:
    - Barclays Global Investors Limited
    - Henderson Global Investors
    - Alliance Bernstein
    - Newton Investment Management
  - The following admitted bodies:
    - Southwark Home Care Trust
    - St Mary Newington
    - Christchurch United Charities
    - Borough Market
    - Southwark Law Centre
    - Fusion
    - Botes
    - Odyssey
    - Gristwood & Toms
    - Pricewaterhouse Coopers
    - Centre for Literacy in Primary Education
    - South London Gallery
    - Shaftesbury Homes
    - APCOA
    - Charter Security
    - Chequers
    - Castle Day Centre
    - Olympic South
    - Morrison

**LONDON BOROUGH OF SOUTHWARK  
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**7. OTHER INFORMATION**

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

• Barclays Global Investors	£358.77 million	47.73%
• Alliance Bernstein (Growth)	£88.56 million	11.78%
• Alliance Bernstein (Value)	£87.87 million	11.69%
• Newton Investment Management	£59.14 million	7.87%
• Henderson Global Investors	£157.37 million	20.93%
<b>Total</b>	<b>£751.71 million</b>	<b>100.00%</b>

7.2. 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.

	Value at 31/3/06 £m	Purchases £m	Sales £m	Change in market value £m	Value at 31/3/07 £m
Derivatives	<b>7.34</b>	0.47	(0.03)	(7.78)	<b>0.00</b>
UK equities	<b>257.03</b>	10.63	(218.63)	(1.23)	<b>47.80</b>
Overseas equities	<b>203.83</b>	322.12	(139.07)	33.66	<b>420.54</b>
Fixed interest	<b>51.15</b>	1.00	(25.85)	(0.45)	<b>25.85</b>
Index linked	<b>80.06</b>	8.80	0.00	2.16	<b>91.02</b>
Property	<b>78.03</b>	58.17	(2.82)	10.93	<b>144.31</b>
Cash	<b>14.49</b>	17.92	(22.71)	12.49	<b>22.19</b>
<b>Total</b>	<b>691.93</b>	<b>419.11</b>	<b>(409.11)</b>	<b>49.78</b>	<b>751.71</b>

7.3. The change in market value for derivatives is a revaluation item, and not from an actual change in the market value of the derivatives. This is due to the change in accounting practice adopted by the holding manager, Barclays Global Investors, to report the marginal value of the derivatives rather than the full value of the financial instrument the derivative is based on. The holdings in derivatives was fully sold in 2006/07.

7.4. In relation to the valuation of direct property managed by Henderson Global Investors, the employing firm is Knight Frank LLP, the valuer is RICS qualified and the valuation took place on 31 March 2007. All properties have been valued at market value.

7.5. Stock lending is allowed under investment agreements within statutory limits but has not yet been implemented.

7.6. A Statement of Investment Principles has been prepared and is available from the Finance Director, Southwark Town Hall.

**LONDON BOROUGH OF SOUTHWARK  
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**GLOSSARY OF ACCOUNTING TERMS**

**ACCRUAL**

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

**AGENCY SERVICES**

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

**ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)**

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

**BALANCE SHEET**

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

**BALANCES**

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

**BUDGET**

Statement of the spending plans for the year.

**BUSINESS RATES**

See Non Domestic Rate.

**CAPITAL EXPENDITURE**

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

**CAPITAL EXPENDITURE MET FROM REVENUE ACCOUNTS (CERA)**

This is revenue contributions towards capital expenditure. However, accounting requirements now require these to be shown as one figure in the Statement of Movement in the General Fund Balance than shown against individual services' expenditure.

**CAPITAL FINANCING ACCOUNT (CFA)**

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

**CAPITAL CHARGES**

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

**CAPITAL RECEIPTS**

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

**CENTRAL SUPPORT SERVICES**

The cost of the central administration of the Council.

**CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)**

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

**CODE OF PRACTICE**

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

**COLLECTION FUND**

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

**COMMUNITY ASSETS**

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

**CONTINGENCIES**

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

**CONTINGENT LIABILITY**

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

**COUNCIL TAX**

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

**COUNCIL TAX BENEFIT**

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

**CREDITORS**

Organisations and individuals to whom the Council owes money.

**CURRENT LIABILITIES**

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

**DEBTORS**

Organisations and individuals who owe money to the Council.

**DEFERRED CHARGE**

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

**DEPRECIATION**

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

**DIRECT SERVICE ORGANISATION**

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

**EARMARKED RESERVES**

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

**FINANCE LEASES**

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

**FIXED ASSET RESTATEMENT ACCOUNT (FARA)**

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

**FRS 17**

FRS 17 is Financial Reporting Standard 17, Accounting for Retirement Benefits. The Standard requires the Council to show its outstanding liability to the Pension Fund in its accounts rather than just the payments made into the Pension Fund in the year. The Accounts were prepared on this basis for the first time in 2004/05.

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**GENERAL FUND**

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

**HOUSING REVENUE ACCOUNT (HRA)**

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

**HOUSING SUBSIDY**

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

**HRA**

See Housing Revenue Account above.

**INFRASTRUCTURE ASSETS**

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

**LATS - LANDFILL ALLOWANCE TRADING SCHEME**

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities (WDAs) such as the Council to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The Government allocates an allowance each year to each authority for landfill. If more landfill is needed in a year, a WDA must purchase an allowance from other authorities or pay a penalty. Any allowances not used in a year can be carried forward or sold within the trading scheme.

**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.

**NATIONAL NON DOMESTIC RATES (NNDR)**

Another name for non-domestic rates.

**NET EXPENDITURE**

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

**NON DOMESTIC RATE (NDR)**

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

**NON OPERATIONAL ASSETS**

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

**ODPM**

Office of the Deputy Prime Minister. The Government department with overall responsibility for local government affairs, though other Government departments also have responsibilities for specific functions. Replaced in May 2006 by the Department for Communities and Local Government.

**OPERATIONAL ASSETS**

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

**OPERATING LEASE**

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

**PRECEPT**

A levy made by those authorities that do not raise local taxation themselves but require other bodies to collect the required income from local taxpayers on their behalf.

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**PROVISIONS**

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

**RECHARGES**

The transfer of costs from one account to another.

**RESERVES**

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

**REVENUE EXPENDITURE**

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

**REVENUE SUPPORT GRANT (RSG)**

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

**SPECIFIC GRANTS**

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

**SORP**

The CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom - A Statement of Recommended Practice. The SORP sets out the accounting framework for local authorities, in particular guiding on differences from Generally Accepted Accounting Practice as a result of the Government's legislative requirements.