Southwark Council

STATEMENT OF ACCOUNTS

2011/12

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LONDON BOROUGH OF SOUTHWARK
STATEMENT OF ACCOUNTS 2011/12

INTRODUCTION

This Statement of Accounts is produced in accordance with legislation and in particular with the Accounts and Audit Regulations 2011. 2011/12 is the second year of presenting the Accounts on the basis of International Financial Reporting Standards. This Statement of Accounts provides information about the Council's expenditure and income and the overall financial position of the Council at the end of the 2011/12 financial year.

The Comprehensive Spending Review in 2010 heralded for Local Government the most significant changes to the funding of Council services in a generation. This has been no less true for Southwark Council with reduced spending power in 2011/12 of more than £30 million. In this context, budget targets were agreed in February 2011 and service plans were put in place to achieve those targets. These Accounts reflect the achievement of the targets, and work is already underway to address further savings targets in future years. The financial risk to the Council will remain extremely high for the foreseeable future. Balances and reserves must be preserved through this period to safeguard against any delay in the delivery of some fundamental changes in Council services.

Through 2011/12 interest rates remained at very low rates, and inflation continued to reach levels higher than those estimated by Government. These circumstances, alongside continued funding and demand pressures on local services that may increase as a consequence of recession, require the Council to continually review key priorities and supporting financial plans.

Despite the ongoing pressures on world financial markets, the Council's Pension Fund continues to sustain a reasonable position for schemes of this type. However, the fund will continue to need close monitoring and management by the Pensions Advisory Panel, not least as a consequence of the review of the Local Government Pension Scheme.

It remains essential that the Council continues to work to promote and enhance the financial management and standing of the Council. This will enable the Council to maintain the quality and value of the services that it provides and to continue to deliver a major regeneration programme.

The Council will continue to be guided by the advice offered by the District Auditor and especially her comments and observations contained in the Annual Audit Letter and the Annual Governance Reports. The Council respects the importance and the rigour of the external audit process.

It has been a pleasure working with the Audit Commission, and we look forward to working closely with Grant Thornton, as the auditor appointed to replace the Commission, in the future. The Council has committed to creating action plans to meet recommendations of the District Auditor and these will be monitored through the Audit and Governance Committee.

I certify that:

(a) The Statement of Accounts for the year ended 31 March 2012 has been prepared in the form directed by the Code and under the accounting policies as set out in the Notes to the Accounts, and

(b) In my opinion the Statement of Accounts gives a true and fair view of the income and expenditure and cash flows for the financial year and the financial position as at the end of the financial year.

Duncan Whitfield
Strategic Director of Finance and Corporate Services
25 September 2012

Approved by the Audit and Governance Committee on 26 September 2012

Councillor Mark Glover
Chair of the Audit and Governance Committee
26 September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON BOROUGH OF SOUTHWARK

Opinion on the Authority financial statements

I have audited the financial statements of the London Borough of Southwark for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Southwark in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director of Finance and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Strategic Director of Finance and Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- Give a true and fair view of the financial position of the London Borough of Southwark as at 31 March 2012 and of its expenditure and income for the year then ended; and
- Have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- In my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of the London Borough of Southwark in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Strategic Director of Finance and Corporate Services and auditor

As explained more fully in the Statement of Responsibilities, the Strategic Director of Finance and Corporate Services is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director of Finance and Corporate Services; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- Give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword and the content of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- Securing financial resilience; and
- Challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, the London Borough of Southwark put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors. I am satisfied that these matters do not have a material effect on the financial statements or a significant impact on my value for money conclusion.

Furthermore, I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Susan M Exton

27 September 2012
District Auditor
Audit Commission
1st Floor Millbank Tower
Millbank London
SW1P 4HQ

LONDON BOROUGH OF SOUTHWARK
STATEMENT OF ACCOUNTS 2011/12

EXPLANATORY FOREWORD

1. INTRODUCTION

1.1. The foreword provides a brief explanation of the statements that comprise the Accounts and a summary of the Council's overall financial position, highlighting the more significant matters reported in the Accounts. It also provides information on developments that may influence the Accounts in the future.

2. THE STATEMENT OF ACCOUNTS

2.1. These financial statements have been prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code). Under the Code, and since 2010/11, local authorities now produce accounts that are compliant with International Financial Reporting Standards (IFRS) as set out by the Code.

2.2. The primary statements of the Accounts are set out below. A full description of the nature and use of each statement is included before each of the statements:

- The Movement in Reserves Statement
- The Comprehensive Income and Expenditure Statement
- The Balance Sheet
- The Cash Flow Statement.

2.3. In addition to the primary statements, the Accounts contain:

- Notes explaining or analysing further the figures in the primary statements
- Housing Revenue Account (HRA) Statements and explanatory Notes. The HRA figures are included in the figures in the primary statements
- The Collection Fund, showing the amounts raised and collected through taxation. Only the Council's entitlement to taxation is included in the primary statements. The amounts collected on behalf of the Government and the Greater London Authority are not included apart from amounts owing to or from those bodies
- Trust Funds and Other Third Party Funds. These are funds that the Council manages on the behalf of other people or organisations. The balances are not included in the primary statements
- Pension Fund Accounts. These are the funds the Council manages, to provide future retirement benefits for its employees. The funds are not included within the primary statements.

2.4. The Code requires local authorities to consider all their interests and to prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. The Council does not have material interests in such bodies and accordingly is not required to prepare group financial statements.

3. SIGNIFICANT EVENTS

3.1. Following the government's October 2010 Spending Review (SR), Southwark faced a cut in its budget settlement from government for 2011/12, with £34 million being removed. The budget for 2011/12 was agreed by Council Assembly on 22 February 2011.

3.2. The budget for 2012/13 was agreed by Council Assembly on 29 February 2012. The Council faces an uncertain funding future from 2013/14 on, with the effect and extent of the government's intention to move to business rate retention for local authorities as yet unknown.

4. THE REVENUE BUDGET

4.1. The Council's expenditure and income is defined as either revenue (spending on day to day services) or capital (spending on items that provide a benefit for more than one year such as major building works). Revenue expenditure and income is divided between 'General Fund' (all services excluding council housing) and the 'Housing Revenue Account' (a separate account for the Council acting as a housing landlord).

4.2. In February 2011 the Council set a net budget for General Fund services in 2011/12 of £323.021 million. The Council's net expenditure for the year was £316.725 million and the balance of £6.296 million was transferred to reserves.

General Fund	2011/12 Original budget £000	Budget movements £000	2011/12 revised budget £000	2011/12 outturn £000	Variance - over / (under) £000
Children's services	90,438	42,308	132,746	132,817	71
Health and community services	112,913	(4,327)	108,586	108,319	(267)
Environment and leisure	68,660	22,023	90,683	90,669	(14)
Housing	42,414	(5,379)	37,035	36,519	(516)
Regeneration and neighbourhoods	9,803	25,597	35,400	35,436	36
Deputy chief executive	9,277	(1,104)	8,173	8,278	105
Communities, law and governance	11,510	957	12,467	11,753	(714)
Finance and resources & strategic financing	28,703	(27,109)	1,594	1,517	(77)
SCR income (Note 4.3)	(55,029)	(13,147)	(68,176)	(68,176)	0
Total General Fund before appropriations	**318,689**	**39,819**	**358,508**	**357,132**	**(1,376)**
Contingency	5,500	(80)	5,420	0	(5,420)
Direct revenue funding of capital		3,755	3,755	3,755	0
Appropriations to/(from) reserves and other balances related to services	2,195	1,986	4,181	4,681	500
Appropriations to/(from) reserves related to schools balances	0	2,979	2,979	2,979	0
Appropriations to/(from) reserves for technical accounting purposes	0	3,555	3,555	3,555	0
Appropriations from reserves – planned use of reserves to underwrite base budget	(3,363)	0	(3,363)	(3,363)	0
Council wide	0	(52,014)	(52,014)	(52,014)	0
General Fund total	**323,021**	**0**	**323,021**	**316,725**	**(6,296)**

4.3. Support cost reallocations (SCR) are the costs of the central departments (Finance and Resources, Deputy Chief Executive, Communities, Law and Governance) which are recharged to service departments with accompanying budgets.

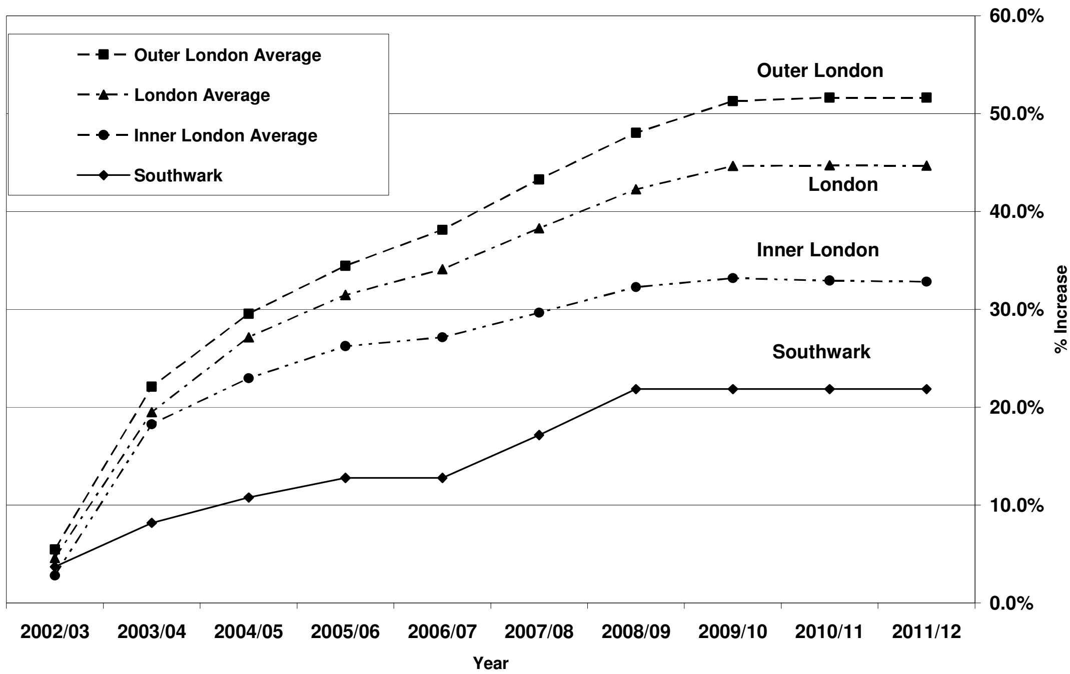
Council Tax

4.4. As well as collecting Council Tax to fund its own services, the Council collects on behalf of and pays over to the Greater London Authority (GLA) a sum of money for services it provides, such as policing, community support officers, fire services and transport. This is referred to as the GLA precept. This was £30.7 million in 2011/12 (£29.9 million in 2010/11). Therefore the total demand on the council taxpayer is made up of two elements; an amount for GLA services and an amount for services provided by the Council. In 2011/12 there were no changes in the council tax demand on the taxpayer. The contributions from the taxpayer, expressed as amounts charged to a Band D taxpayer, were:

	2011/12 £	2010/11 £
Southwark Council Tax requirement	912	912
GLA Precept	310	310
Total Council Tax charge (Band D equivalent)	**1,222**	**1,222**

4.5. In line with the corporate objectives and the Council's Medium Term Resources Strategy, Council Tax increases have been contained within the rate of inflation (RPI), and have remained below the London average.

Cumulative Council Tax % increase since 2002/03



Housing Revenue Account

4.6. The Housing Revenue Account (HRA) is the means by which the Council meets its statutory requirement to account separately for local authority housing provision. The table below summarises the HRA income and expenditure and movement on balances for 2011/12.

	2011/12 £000	2010/11 £000
Income	(268,950)	(264,210)
Expenditure	284,353	690,290
Net cost of services	15,403	426,080
Non operating costs	(143,858)	39,693
Net statutory accounting adjustments	121,544	(472,226)
(Increase)/Decrease in the HRA Balance	**(6,911)**	**(6,453)**
HRA Balance at 1 April	(20,577)	(14,124)
(Increase)/Decrease in the HRA Balance	(6,911)	(6,453)
HRA Balance at 31 March	**(27,488)**	**(20,577)**

4.7. In 2010/11 HRA gross expenditure included one-off impairments in the values of Council dwellings of £485.437 million, arising mainly from a change by the government in the use of discount factors in arriving at the valuation of dwellings. In 2011/12, in advance of moving to HRA self-financing in 2012/13, the government redeemed £199.254 million of the Council's debt, including meeting premiums arising of £77.902 million. The HRA is required to show one-off grant income of £277.156 million towards these costs, and also the premiums cost arising. The reduction in debt is accounted through the Balance Sheet.

Summary of reserves and balances

4.8. In line with the Medium Term Resources Strategy (MTRS), the Council has maintained appropriate earmarked reserves, in order to mitigate future risks, fulfil future commitments already made, and to provide resources to enable service to transform over time. The Council has a target of increasing its General Fund balance to £20 million.

Reserve Group	**31/3/2012 £000**	31/3/2011 £000	31/3/2010 £000
General Fund	**18,133**	18,196	18,196
Corporate projects and priorities	**14,821**	10,848	6,282
Service reviews and improvements	**11,536**	6,019	8,536
Capital programme and other capital investment	**26,168**	20,075	17,630
Strategic financing, technical liabilities and future financial risks	**31,927**	36,083	36,446
Schools	**13,734**	10,754	10,114
HRA and MRR	**70,702**	28,773	25,505

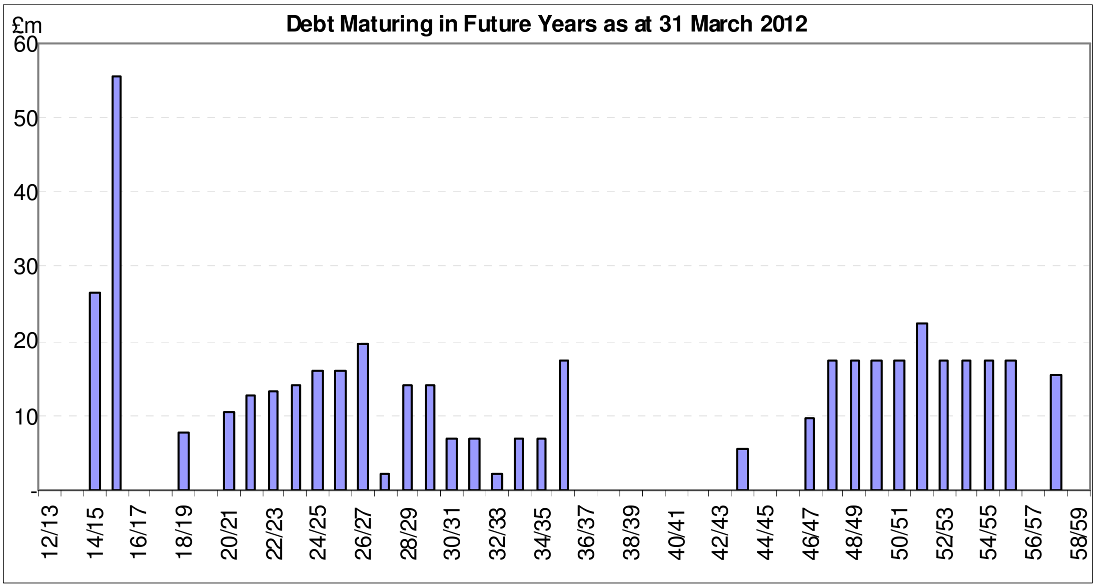
5. CAPITAL PROGRAMME

5.1. Southwark has one of the largest capital investment programmes in London, with current plans to spend £679 million (General Fund £300 million 2012/13 – 2020/21, Housing Investment Programme £379 million 2012/13 – 2018/19). The spend in 2011/12 was:

	2011/12 £000
Children's Services	47,769
Environment and Leisure	18,166
Housing General Fund	3,513
Deputy Chief Executive and Finance & Resources departments	731
Regeneration & Neighbourhoods/ Major Projects	18,571
Health and Community Services	2,777
Total General Fund	91,527
Housing Investment Programme	53,481
Total	**145,008**
Financed by:	
Revenue contributions	22,990
Using capital receipts received from the sale of assets	55,864
Specific grants and other contributions	62,361
Major Repairs Allowance	3,793
Total	**145,008**

6. BORROWING FACILITIES

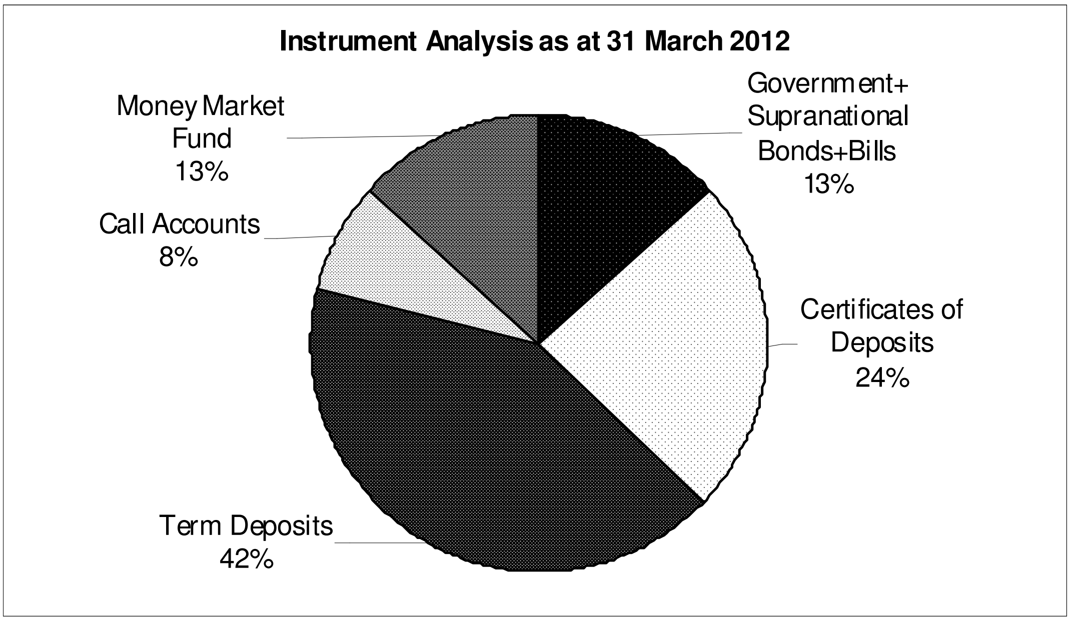
6.1. The Council borrows money to pay for capital expenditure that is not otherwise met from capital receipts, revenue, grants or other contributions. The level of debt outstanding as at 31 March 2012 for current and past capital expenditures is £462 million (£762 million at 31 March 2011). No loans were taken out in 2011/12. In March 2012 £199 million was redeemed by the government under the HRA self-financing settlement, and £100m was refinanced by the Council, with the replacement loans being drawn in April 2012. All debt is from the Public Works Loans Board (PWLB, an Executive Agency of HM Treasury). The average life of all loans is 23 years and the average rate of interest payable is 6.56% at 31 March 2012 (6.94% at March 2011). 2011/12 is the final year that HRA debt will attract housing subsidy and the HRA self-financing payment will lower HRA's debt financing costs such that the costs can be contained within the income from rents. The maturity profile of the debt at 31 March 2012 is set out in the chart below.



7. INVESTMENTS

7.1. The Council invests its cash in interest earning call accounts, money market funds, term deposits, certificates of deposits, and bonds. The bonds are issued by the UK government or supranational entities such as the European Investment Bank and the World Bank. The other investments are with major UK and international banks, building societies or money market funds. The cash held in investments at 31 March 2012 was £187m (£236m at 31 March 2011). The average return for 2011/12 was 1.03% (1.08% in 2010/11), reflecting the prolonged period of very low money market rates.

7.2. Investments held at 31 March 2012 can be shown by classes of instrument as follows:



7.3. The maturity and ratings of investments held at 31 March 2012 were:

	Fitch Long Term Rating at 31 March 2011			
Period remaining	AAA	AA+ to AA-	A+ to A	Total
2-5 years	9%			9%
1-2 years	4%			4%
Less than 1 year	14%	17%	56%	87%
Total	27%	17%	56%	100%

7.4. Where the investment is guaranteed by the UK Government, it is treated as having the same rating as the Government. As there are no long term ratings for Money Market Funds, the Funds' short term ratings are used instead.

8. PENSIONS

8.1. The Council offers retirement pensions to its staff and makes contributions to pension schemes on their behalf. These pension schemes include the Council's own pension fund, the accounts of which are at page 115. Other pension schemes are operated by the London Pension Fund Authority (LPFA) and the Teachers' Pensions Agency (TPA).

8.2. The Council's accounts are prepared in accordance with International Accounting Standard 19 – Employee Benefits (IAS 19), which requires that the accounts reflect the employees' pension rights as they are earned in a year. Each year at 31 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 47 page 74, 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 31 March 2012 was £588.0 million, an increase of £135.5 million from £452.5 million as at 31 March 2011. The increase is due to actuarial losses of £135.5 million and costs required under IAS 19 being higher than the actual level of contributions made in the year of £23.0 million, offset by the return of assets of £23.0 million
- The liability of the Council to the LPFA increased by £4.3 million, from £3.8 million to £8.1 million at 31 March 2012, as advised by the LPFA's actuary. The increase is due to actuarial losses of £4.2 million and costs required under IAS 19 being higher than the actual level of contributions made in the year of £0.1 million
- The TPA is run on a different basis from the others above, and is not required to be accounted for in this way under IAS 19. There is no separate liability included in the Council's accounts.

8.3. 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 towards the fund, rather than considering the pensions rights earned per IAS 19. The assumptions under this valuation use a longer timeframe than IAS 19, and incorporate assumptions on the plan to eliminate any outstanding liability, which also is not taken into account under IAS 19 in assessing the outstanding liability at a fixed point. The last revaluation of the Council's pension fund on this basis was as at 31 March 2010, giving an actuarial present value of promised retirement benefits to be £612.2 million (£330.1 million at the last valuation of 31 March 2007. From this, the actuary recommended to the Council, as employer, a revised contribution structure, the details of which are given in the Note 4 to the Pension Fund Accounts, page 117.

STATEMENT OF RESPONSIBILITIES

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 Strategic Director of Finance and Corporate Services

- 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 Strategic Director of Finance and Corporate Services' responsibilities

The Strategic Director of Finance and Corporate Services 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 2011/12 (the Code).

In preparing the Statement of Accounts, the Strategic Director of Finance and Corporate Services has:

- Selected suitable accounting policies and then applied them consistently

- Made judgements and estimates that were reasonable and prudent

- Complied with the local authority Code

The Strategic Director of Finance and Corporate Services has also:

- Kept proper accounting records which were up to date, and

- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

MOVEMENT IN RESERVES, 2010/11

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
Balance as At 1 April 2010	**18,196**	**79,008**	**14,124**	**11,381**	**5,642**	**15,845**	**144,196**	**1,946,256**	**2,090,452**
Movement in reserves during the year									
Surplus/(deficit) on the provision of services	107,433		(465,773)				(358,340)		(358,340)
Other Comprehensive Income and Expenditure								17,684	17,684
Total Comprehensive Income and Expenditure	**107,433**	**0**	**(465,773)**	**0**	**0**	**0**	**(358,340)**	**17,684**	**(340,656)**
Adjustments between accounting basis & funding basis under regulations (Note 6)	(102,662)	0	472,226	(3,185)	30,237	(6,922)	389,694	(389,694)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,771**	**0**	**6,453**	**(3,185)**	**30,237**	**(6,922)**	**31,354**	**(372,010)**	**(340,656)**
Transfers to/(from) earmarked reserves	(4,771)	4,771	0	0	0	0	0	0	0
Increase/(Decrease) in Year	**0**	**4,771**	**6,453**	**(3,185)**	**30,237**	**(6,922)**	**31,354**	**(372,010)**	**(340,656)**
Balance as at 31 March 2011	**18,196**	**83,779**	**20,577**	**8,196**	**35,879**	**8,923**	**175,550**	**1,574,246**	**1,749,796**

MOVEMENT IN RESERVES, 2011/12

	General Fund Balance £000	Earmarked General Fund Reserves £000	HRA Balance £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Total Unusable Reserves £000	Total Reserves of the Council £000
Balance as At 1 April 2011	**18,196**	**83,779**	**20,577**	**8,196**	**35,879**	**8,923**	**175,550**	**1,574,246**	**1,749,796**
Movement in reserves during the year									
Surplus/(deficit) on the provision of services	(117,919)		128,455				10,536		10,536
Other Comprehensive Income and Expenditure								85,571	85,571
Total Comprehensive Income and Expenditure	**(117,919)**	**0**	**128,455**	**0**	**0**	**0**	**10,536**	**85,571**	**96,107**
Adjustments between accounting basis & funding basis under regulations (Note 6)	133,037	0	(121,544)	35,018	(8,771)	(8,588)	29,152	(29,152)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**15,118**	**0**	**6,911**	**35,018**	**(8,771)**	**(8,588)**	**39,688**	**56,419**	**96,107**
Transfers to/(from) earmarked reserves	(15,181)	14,407	0	0			(774)	774	0
Increase/(Decrease) in Year	**(63)**	**14,407**	**6,911**	**35,018**	**(8,771)**	**(8,588)**	**38,914**	**57,193**	**96,107**
Balance as at 31 March 2012	**18,133**	**98,186**	**27,488**	**43,214**	**27,108**	**335**	**214,464**	**1,631,439**	**1,845,903**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	Notes	£000 Expenditure	£000 Income	2011/12 £000 Net	£000 Expenditure	£000 Income	2010/11 £000 Net
Central services		58,876	(41,476)	17,400	73,623	(42,081)	31,542
Cultural and Related Services		27,412	(3,390)	24,022	33,707	(3,985)	29,722
Environment and Regulatory Services		64,948	(9,457)	55,491	58,779	(9,526)	49,253
Planning Services		45,070	(5,438)	39,632	30,342	(4,760)	25,582
Children And Educational Services		369,502	(241,095)	128,407	393,124	(253,687)	139,437
Highways and transport services		37,792	(13,576)	24,216	33,769	(13,577)	20,192
Local authority housing (HRA)		203,304	(262,349)	(59,045)	203,527	(257,675)	(54,148)
Impairment of HRA assets		86,107	0	86,107	485,437	0	485,437
Other housing services		240,587	(217,740)	22,847	228,821	(202,597)	26,224
Adult Social Care		113,401	(24,006)	89,395	114,744	(15,236)	99,508
Corporate and democratic core		8,777	(657)	8,120	9,835	(1,442)	8,393
Non distributed costs		5,500	0	5,500	(156,170)	0	(156,170)
(Surplus)/Deficit on Continuing Operations		**1,261,276**	**(819,184)**	**442,092**	**1,509,538**	**(804,566)**	**704,972**
PFI derecognition	2			35,252			0
Other Operating Expenditure	14			24,258			29,591
Financing and Investment Income and Expenditure	4, 15			149,220			66,406
Taxation and Non-Specific Grant Income							
HRA self financing settlement	4, 16			(277,156)			0
Other	16			(384,202)			(442,629)
(Surplus)/Deficit on Provision of Services				**(10,536)**			**358,340**
(Surplus)/deficit on revaluation of non current assets	17			(219,185)			68,920
(Surplus)/deficit on revaluation of available for sale financial assets	28.12			(110)			137
Actuarial (gain)/losses on pension assets/liabilities	47			133,724			(86,741)
Other Comprehensive Income and Expenditure				**(85,571)**			**(17,684)**
Total Comprehensive Income and Expenditure				**(96,107)**			**340,656**

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

	Notes	**31/3/2012** £000	**31/3/2011** £000
Property, Plant & Equipment	17	2,622,262	2,633,606
Heritage Assets	18	871	0
Investment Property	19	133,320	97,420
Intangible Assets	20	446	1,445
Assets held for sale	24	152,582	88,605
Long Term Investments	21	23,620	32,917
Long Term Debtors	22	3,795	2,822
Long Term Assets		**2,936,896**	**2,856,815**
Short Term Investments	21	123,506	141,354
Inventories		982	946
Short Term Debtors	22	76,414	98,958
Cash and Cash Equivalents	23	24,710	47,036
Assets held for sale	24	36,308	30,707
Current Assets		**261,920**	**319,001**
Short Term Borrowing	21	5,463	9,081
Short Term Creditors	25	94,704	103,333
Provisions	26	3,090	2,328
Grants receipts in advance	39	63,807	46,108
Current Liabilities		**167,064**	**160,850**
Long Term Creditors	25	8,364	9,185
Provisions	26	8,299	7,176
Long Term Borrowing	21	462,455	761,709
Pension Liabilities	47	596,071	456,274
Other Long Term Liabilities	48	110,660	30,826
Long Term Liabilities		**1,185,849**	**1,265,170**
Net Assets		**1,845,903**	**1,749,796**
Usable reserves	27	214,464	175,550
Unusable Reserves	28	1,631,439	1,574,246
Total Reserves		**1,845,903**	**1,749,796**

CASH FLOW STATEMENT

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

	Note	2011/12 £000	2010/11 £000
Net surplus/(deficit) on the provision of services		10,536	(358,340)
Adjustment to surplus/(deficit) on the provision of services for noncash movements	29	188,908	458,059
Adjust for items included in the net surplus/(deficit) on the provision of services that are investing and financing activities	29	(102,450)	(124,066)
Net cash flows from operating activities		96,994	(24,347)
Net cash flows from investing activities	30	2,288	57,718
Net cash flows from financing activities	31	(121,608)	(1,501)
Net increase/(decrease) in cash and cash equivalents		**(22,326)**	**31,870**
Cash and cash equivalents at the beginning of the reporting period	23	47,036	15,166
Cash and cash equivalents at the end of the reporting period	**23**	**24,710**	**47,036**

NOTES TO THE ACCOUNTS

1. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IFRS 7 Financial Instruments: Disclosures (transfers of financial assets)

1.1. IRFS 7 was updated in October 2010. The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. Relevant circumstances would be where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

1.2. The Council has no transactions that would require disclosure under IFRS 7.

2. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

St Michael's Catholic College and St Thomas the Apostle College

2.1. St Michael's and St Thomas are new build voluntary-aided secondary schools. St Michael's became operational in January 2011, and St Thomas in February 2012. The schools have been built and operated under PFI arrangements, under 25 year contracts with 4 Futures Ltd, the majority shareholder of which is Balfour Beatty Education Ltd.

2.2. In 2010/11 the asset of St Michael's was recognised in the Council's Balance Sheet on becoming operational, as a leased asset within Property, Plant and Equipment, in a value of £17.026 million. A matching long term liability was recognised, which will be reduced by the capital components within the unitary payments for services to 4 Futures Ltd over the life of the contract.

2.3. The assets of voluntary aided schools are deemed not to be assets of the Council for reasons set out in Note 2.7 – 2.8 below. However, under the PFI arrangement to deliver the new school, the Council was originally deemed to be the principal in the arrangement, and on that basis the asset has been recognised in the Council's Accounts, accounted for as a finance lease arrangement.

2.4. In 2011/12 the accounting treatment was further reviewed, and considered that the Council does not have an interest in the St Michael's asset, even though the Council has the obligation to make payments under PFI arrangements to 4 Futures Ltd for operating the school and reimbursement of the capital expense incurred. The £17.026 million asset recognised in 2010/11 has been discharged from Property, Plant & Equipment to the Consolidated Income and Expenditure Statement (PFI derecognition), and then moved to the Capital Adjustment Account.

2.5. St Thomas became operational in February 2012. As for St Michael's, it is considered that the Council does not have an interest in the asset although the obligation exists to make payments under PFI for the capital expense incurred. The new school has therefore been initially recognised at the value of the obligation, of £18.226 million, has been charged to the Consolidated Income and Expenditure Statement (PFI derecognition), and then moved to the Capital Adjustment Account.

2.6. Further details of the financial arrangements for St Michael's and St Thomas, and the obligations outstanding, can be found in Notes 43.1 to 43.10.

Accounting for schools non-current assets

2.7. CIPFA has set out that there is uncertainty in the accounting treatment for schools' assets, specifically in relation to foundation, voluntary controlled and voluntary aided schools, as to which schools should be included in the Council's Balance Sheet. CIPFA has set up a review group, which has not yet issued a conclusion on the accounting treatment.

2.8. Until such time as CIPFA define clearly the required accounting practice for the treatment of the different categories of school, the previous approach on the recognition of assets on the Balance Sheet will apply, in that voluntary controlled schools are on Balance Sheet, with voluntary aided and foundation schools being off Balance Sheet. This view is supported by considering:

- Admissions policies
- The tax affairs of voluntary aided and foundation schools are separate from, and different from, the Council's
- Legal title to the assets, and
- The external accounting opinions received on St Michael's and St Thomas, as set out above, concluded the Council does not have an interest in the new build voluntary aided schools' assets when measured against IFRS accounting standards.

Integrated Waste Management Facility

2.9. The Integrated Waste Management Facility at the Old Kent Road became operational in February 2012. This is a facility constructed by Veolia Environmental Services under a 25 year PFI contract for the collection and disposal of waste in the borough. The scheme has been evaluated in accordance with IFRS accounting practices, and it is considered that the Council has an interest in the asset which should be reflected in the Council's Balance Sheet, with a matching liability to make capital repayments as part of the unitary charges.

2.10. The asset has been recognised in Property, Plant & Equipment at 31 March 2012 in a value of £64.198 million. Further details of the financial arrangements for the waste management contract, and the obligations outstanding, can be found in Notes 43.14 to 43.20.

3. ACCOUNTING ESTIMATES

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

Property, Plant & Equipment

3.2. Assets held in Property, Plant & Equipment are measured at fair value, except for the categories of infrastructure, community assets and assets under construction which are held at depreciated historical cost. Assets held at fair value are therefore subject to judgements which could change the value of assets in the Balance Sheet:

- Valuation methodologies. The Council adopts the valuation methodologies as recommended by the Code, and these are applied by a fully RICS qualified valuer, following professional standards as set out in the RICS Red Book
- Currency of valuations. HRA stock and other assets are valued annually. General Fund assets are valued on a 5 year rolling cycle. General Fund assets are valued earlier than required in the cycle in the event of capital works enhancing an asset, a change of use of the asset, a movement between categories (e.g. to Held for Sale), or in the case of physical impairment
- Market factors. Fair value reflects movements in the property market. If the property market changes in a sector or as a whole, then additional valuations are carried out to ensure fair value is maintained
- External influence over valuation methodologies. The selection of valuation methodologies can be changed or influenced by external bodies or actions, from changes in accounting standards or changes in the basis of the valuation methodology, e.g. in 2010/11 the government changed the discount factors in assessing the fair value of council dwellings.

3.3. Changes in the fair value of assets do not have an effect on the resources of the Council, as any movement in value charged to the CIES is reversed out to Capital Adjustment Account.

3.4. Assets are depreciated over useful lives that are dependent on a number of assumptions which include the valuation methodologies applied by the professional valuer, the level of usage of an asset, and assumptions about the ability to maintain and repair the asset. Changes to the estimate of useful life and the resulting depreciation charges do not have an effect on the resources of the Council, as all depreciation charges to the CIES are reversed out to the Capital Adjustment Account. The size of change that could arise as a result of changes in estimates include:

- HRA dwelling depreciation is calculated using the Government's assessment of Major Repairs Allowance, being their estimate of the spend needed to preserve the stock in its current condition. With the HRA moving to a self-financing in 2012/13, the MRA basis will no longer apply. The Borough Valuer estimates that the housing dwelling stock has an average life of 40 years, which would give a difference in depreciation charge at current levels of an additional £6.642 million in 2011/12. A reduction in the estimate of useful life by 1 year to 39 years would increase depreciation by a further £1.166 million.
- The average life of HRA non-dwelling assets is 34.1 years. If the assumptions were to reduce the average life by 1 year, the depreciation charge to the HRA would increase by £66,000.
- General Fund assets are depreciated over a variety of periods, as set out in the accounting policies. The weighted average is 34.7 years. If this average was reduced by one year, the depreciation charge to the General Fund is estimated to increase by £610,000.

3.5. In 2011/12 a review was carried out of classification and asset lives for infrastructure and vehicles, plant and equipment, with effect from 01 April 2007. The revised asset lives and categories are set out in Accounting Policies Note 2.94 page 111. The effect of the changes on a like-for-like basis on the 2011/12 depreciation charge is an increase of £0.931 million for infrastructure assets and a decrease of £1.079 million for VPE. There was also an increase in accumulated depreciation (i.e. depreciation charged pre 2011/12) for infrastructure assets of £2.804 million and VPE of £0.010 million. The changes pre 2011/12 were not material to require restating the 2010/11 Accounts, and the adjustments were charged to the CIES in 2011/12. There is no net effect on the Council's resources as a result of the depreciation review, as all depreciation charges in the CIES are moved to the Capital Adjustment Account.

Financial Instruments

3.6. All Council borrowing outstanding at 31 March 2012 is at fixed rates, with an average maturity of 23 years and a modified duration of 13 (modified duration is a number which includes interest rate risk in its calculation, and is used in making risk assessments in treasury management decisions). No debt falls for refinance until 2015 (see the debt maturity chart in the Explanatory Foreword, page 11) and there is no exposure to variable rate debt. A 1% rise in rates at the Balance Sheet date lowers fair value by £75 million, a 1% fall raises it by £94 million. As debt is held at amortised cost there would be no impact on the Income and Expenditure Account from such changes, unless the debt is extinguished. Legislation would then require the charge to be taken to the Financial Instruments Adjustment Account.

3.7. The overall average life of financial assets (i.e. the Council's investments) is 0.40 years and the modified duration is 0.40. Within that, the available-for-sale investments have an average life of 1.0 years and a modified duration of 1.0. A 1% change in rates on available-for-sale investments at Balance Sheet date changes the fair value by £0.70 million, which is reflected in the Balance Sheet in the available-for-sale reserve. There is no impact on the Income and Expenditure Account, unless the investment is realised. A 1% change in rates on loans and receivable investments at the Balance Sheet date changes the fair value by £0.04 million, but as these are held at amortised cost there is no impact on the Balance Sheet or Income and Expenditure Account unless the investment is extinguished.

Impairment of debtors (Bad Debt Provisions)

3.8. At 31 March 2012 the Council had a balance of short term debtors of £120.300 million. The different classes of debtors within this balance are individually assessed to determine any potential impairment losses as a result of not being able to collect the moneys due, and for 2011/12 this was assessed as £42.891 million, which is 36% of the total debtor balance as at 31 March 2012. If collection rates were to deteriorate, an increase of 1% in non-collection would require an additional £1.203 million to be set aside as an allowance for the impairment of debtors:

	£000
Council Tax	201
Housing Rents	165
Housing Benefit Overpayments	164
Sundry Debtors	673
	1,203

Long term obligations - PFI and similar schemes

3.9. The Council has entered a number of long term contracts to provide services and assets under PFI and scheme of a similar nature, as set out in Note 43. These contracts commit the Council to significant levels of contract payments over the lives of the contracts. At 31 March 2012 the future obligation to make payments totals £877 million, of which £35.111 million falls in 2012/13.

3.10. The estimated payments due under each of the schemes are set out in complex models, and there are uncertainties in the prediction of total future costs due to:

- The lengths of the expected contacts (typically 25 years)
- Variability in the indexation and discount rates to be applied during the contract
- Changes in usage under the contracts
- Performance by the contractor under the contract.

3.11. The complexity of the payment models and the periods of time concerned mean that small changes in assumptions could lead to material changes in the estimation of total liability under the contracts. Estimates of the range of possible variations have not been costed for the purposes of the Accounts.

Defined benefit pension amounts and disclosures

3.12. The Council recognises its outstanding liabilities to meet future pensions costs, and accounts for those liabilities in accordance with IAS 19. At 31 March 2012 the outstanding liability was assessed at £596.071 million. For the two pension funds the Council contributes to, its own and that of the London Pension Fund Authority, the Council's outstanding liability is assessed by consulting actuaries to each fund. These assessments require significant estimation, and the estimates and assumptions are set out in detail in Note 47.

3.13. The estimates can be affected by a number of factors:

- Changes in accounting standards. IAS 19 sets out the framework for the calculation of the estimation of liability. Changes in the standard, or the introduction of new standards, can change the framework and therefore the liability to be recognised in the Accounts
- The Government can influence or prescribe factors to be taken into account in implementing IAS 19 as interpreted by the Code. This happened in 2010/11, when the government moved future pension increases from being based on RPI to CPI. This has the effect of reducing the estimate in the growth of pension payments and therefore reduced the amounts to be recognised as the outstanding liability to meet those payments
- Actuarial assumptions in assessing the growth in pension fund assts and liabilities. The assumptions are set out in Note 47.

3.14. For the outstanding liability towards the London Borough of Southwark pension fund (£588.0 million of the total £596.1 million liability for pensions), the actuary to the fund has assessed that the effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £115.8 million. However, the assumptions interact in complex ways. During 2011/12 the actuaries advised that the net pensions liability for funded LGPS benefits had increased by £8.5 million from estimates being corrected as a result of experience, and increased by £93.1 million attributable to updating of the underlying assumptions.

Council tax surplus/deficit

3.15. As a billing authority, the Council is required by law to estimate the surplus or deficit arising on the Collection Fund for the end of each financial year by January 15 of that year. It is also required to apportion the surplus or deficit between authorities according to their respective proportion of the total for demands and precepts for that year. These apportionments are recovered in the following year. The Collection Fund Adjustment Account absorbs the effect of timing differences between statutory requirements and full accruals accounting.

Landfill Allowances Trading Scheme (LATS)

3.16. 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 council 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. The scheme will end in 2012/13.

3.17. The value of a LATS unit has been assessed at £nil in 2011/12 (£nil in 2010/11) due the lack of regular trades in the year through DEFRA, and the inability to dispose of surplus LATS at the year end. Despite being valued at £nil, there were 40,210 LATS units unapplied at 31 March 2012 (15,045 at 31 March 2011).

4. MATERIAL ITEMS OF INCOME AND EXPENSE

HRA self financing

4.1. From 01 April 2012 the HRA will operate on a self financing basis. The receipt of housing subsidy grant will cease, and the HRA will constrain its expenditure within the income generated from housing rents and other sources. As part of the transition to self financing, on 28 March 2012 the government prematurely repaid £199.254 million of the Council's debt as held by the Public Works Loan Board, in order to bring debt financing costs to the HRA as part of total costs to an affordable level. In prematurely repaying this debt, the government also incurred premiums totalling £77.902 million.

4.2. Although the government met these costs directly, and no funds passed through the Council's books, accounting practice requires that the Consolidated Income and Expenditure Statement (CIES) recognises the receipt of grant to meet the debt and premium cost, as shown in Taxation and Non-Specific Grant Income - HRA self financing settlement, and that the premium cost is also included in CIES within Financing and Investment Income and Expenditure. These transactions are also reflected in the HRA Income and Expenditure statements. The debt repayment is reflected as a Balance Sheet item and does not get discharged to the CIES.

5. EVENTS AFTER THE BALANCE SHEET DATE

5.1. There are no significant post balance sheet events to be disclosed at the time of preparing these statements.

6. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

6.1. This Note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	67,940	525,231				(593,171)
Movements in the market value of Investment Properties	2,812	(513)				(2,299)
Amortisation of intangible assets	705					(705)
Capital grants and contributions applied	(73,896)	(4,156)				78,052
Revenue expenditure funded from capital under statute	17,356	1,601				(18,957)
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	52,596	23,987				(76,583)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(5,017)	(79)				5,096
Capital expenditure charged against the General Fund and HRA balances	(6,197)	(7,020)				13,217
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0			(6,922)	6,922
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(17,601)	(29,078)		46,679		0
Use of the Capital Receipts Reserve to finance new capital expenditure				(15,242)		15,242
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		665		(665)		0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.		535		(535)		0
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(37,575)	37,575			0
Use of the Major Repairs Reserve to finance new capital expenditure			(40,760)			40,760

2010/11	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(204)	(3,542)				3,746
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(115,915)	6,813				109,102
Employer's pensions contributions and direct payments to pensioners payable in the year	(25,957)	(4,670)				30,627
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	819					(819)
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(103)	27				76
Total adjustments	**(102,662)**	**472,226**	**(3,185)**	**30,237**	**(6,922)**	**(389,694)**

2011/12	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the capital adjustment account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	54,031	133,590				(187,621)
Movements in the market value of Investment Properties	2,969	(6,578)				3,609
Amortisation of intangible assets	999					(999)
Capital grants and contributions applied	(52,078)	(1,695)				53,773
Revenue expenditure funded from capital under statute	61,325	1,611				(62,936)
Amounts of non-current assets written off on disposal to the Comprehensive Income and Expenditure Statement	46,859	22,640				(69,499)
Derecognition of PFI non-current assets	35,252					(35,252)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	(4,950)	(61)				5,011
Capital expenditure charged against the General Fund and HRA balances	(2,798)	(19,418)				22,216
Adjustments primarily involving the Capital Grants Unapplied Account:						
Application of grants to capital financing transferred to the Capital Adjustment Account					(8,588)	8,588
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(19,497)	(29,850)		49,347		
Use of the Capital Receipts Reserve to finance new capital expenditure				(55,864)		55,864
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		670		(670)		
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,584			(1,584)		
Recognise payment made by the Secretary of State as contribution to the repayment of HRA debt		(277,156)		277,156		
Application of contribution to the repayment of debt				(199,254)		199,254
Application of contribution to finance premium on early repayment of debt		77,902		(77,902)		

2011/12	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA		(38,811)	38,811			
Use of the Major Repairs Reserve to finance new capital expenditure			(3,793)			3,793
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	3,144	16,026				(19,170)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	36,264	5,391				(41,655)
Employer's pensions contributions and direct payments to pensioners payable in the year	(29,783)	(5,799)				35,582
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(15)					15
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(269)	(6)				275
Total adjustments	**133,037**	**(121,544)**	**35,018**	**(8,771)**	**(8,588)**	**(29,152)**

7. CORPORATE PROJECTS AND PRIORITIES RESERVES

	Balances as at 31 March 2010	Balances as at 31 March 2011	Transfers In	Transfers Out	Balances as at 31 March 2012
	£000	£000	£000	£000	£000
Modernisation, service & operational improvement	3,654	7,307	4,273	(6,435)	5,145
Community restoration fund	0	0	115		115
Voluntary Sector Transition Fund	0	0	257		257
Contract realignment (low paid staff)	0	0	1,052		1,052
Youth Fund Reserve	0	0	469		469
Artefacts replacement & security reserve	0	0	579		579
Financial risk and future liabilities	0	435	2,800	(230)	3,005
Land charges	0	0	200		200
Customer Service and Customer Access Development	466	466		(466)	0
Early Years Review	300	300			300
Equalities and Cohesion Development	0	162		(162)	0
Internal audit & anti fraud	275	322	34		356
Legal & Democratic Services improvement programme	126	186		(186)	0
Community engagement & Links development	0	0	250		250
Neighbourhoods Team Review	0	250		(250)	0
Procurement and Contract Management	871	871		(871)	0
Youth service minibuses	0	0	200		200
Schools condition survey	0	0	775		775
School improvement	0	0	300		300
Children's Services restructure	0	0	119		119
Youth Service Restructure	250	250			250
Other reserves individually less than £100k	50	100	140	(100)	140
Revenue grants	290	199	1,110		1,309
Total	**6,282**	**10,848**	**12,673**	**(8,700)**	**14,821**

8. SERVICE REVIEWS AND IMPROVEMENTS RESERVES

	Balances as at 31 March 2010	**Balances as at 31 March 2011**	Transfers In	Transfers Out	**Balances as at 31 March 2012**
	£000	£000	£000	£000	£000
Adult workforce development	0	0	142		142
Area Based Grant	850	0			0
Blackfriars trust allocation	138	138			138
Camden Society transition funding	0	0	300		300
Canada Water Library	513	0			0
Children's services restructuring	0	0			0
Dedicated Schools Grant Reserve	4,010	4,819	2,766	(212)	7,373
Early intervention pilot	0	0	435		435
General Litigation Costs	172	172			172
GIS	130	0			0
Homelessness	0	200	203		403
Housing and Planning Delivery Grant Development	672	209		(209)	0
HR transformation	0	0	290		290
LD transfer continuing care returned clients	0	0	315		315
London Pensions Fund Authority	452	0			0
Managed accounts underspend	0	0	451		451
Management and Administration of Elections	409	409			409
Ofsted inspection	0	0	200		200
OT clients adaptations	0	0	886		886
Peckham Pulse	265	0			0
Planned Maintenance Fund	333	0			0
SALIX energy efficiency	100	200			200
SEN/Learning difficulties	0	0	140		140
Signage	108	108			108
Strategic Services management and development	150	0			0
Street Trading	110	110			110
Street trading account	(820)	(820)	175		(645)
Other reserves individually less than £100k	944	474	64	(429)	109
Total	**8,536**	**6,019**	**6,367**	**(850)**	**11,536**

9. CAPITAL PROGRAMME AND OTHER CAPITAL INVESTMENT RESERVES

	Balances as at 31 March 2010	Balances as at 31 March 2011	Transfers In	Transfers Out	Balances as at 31 March 2012
	£000	£000	£000	£000	£000
Modernisation, service & operational improvement	0	0	6,364		6,364
Regeneration & development	9,640	7,027	587	(1,618)	5,996
Capital contingency	2,703	2,231	420		2,651
Financial risk and future liabilities	0	0	130	(130)	0
Aylesbury Development	2,244	3,104	1,127		4,231
Building compliance	0	0	1,066		1,066
Burgess Park project	0	0	350		350
CCTV	0	0	250		250
Contracts realignment (capital)	0	0	1,396		1,396
IT modernisation fund	1,500	1,835		(1,835)	0
IT and customer service development	0	0	3,171		3,171
Cator Street development	354	354		(342)	12
Sumner Road & East Dulwich Refurbishment	350	350		(350)	0
Carefirst procurement	0	0	200		200
Resource Centre	261	261		(80)	181
RFID for libraries	0	0	300		300
Local Public Sector Agreements	578	578		(578)	0
Performance reward grant	0	4,335		(4,335)	0
Total	**17,630**	**20,075**	**15,361**	**(9,268)**	**26,168**

10. STRATEGIC FINANCING, TECHNICAL LIABILITIES AND FUTURE FINANCIAL RISKS RESERVES

	Balances as at 31 March 2010	Balances as at 31 March 2011	Transfers In	Transfers Out	Balances as at 31 March 2012
	£000	£000	£000	£000	£000
Office accommodation - Queens Road	0	0	673		673
Financial risk & future liabilities	7,935	7,763	810	(4,302)	4,271
Council Tax and Housing Benefits Subsidy Equalisation	5,628	1,655		(1,019)	636
Waste PFI Equalisation Reserve	5,479	9,079	1,497	(9)	10,567
Insurance	9,161	7,872	2,500	(1,266)	9,106
Interest equalisation	4,000	4,000			4,000
European Grant Funding Equalisation Reserve	190	22		(22)	0
Unaccompanied Asylum Seeking Children Equalisation	388	388			388
Future pensions commitments	3,000	0			0
Future pensions commitments & LPFA liability	0	4,452		(4,452)	0
Care homes fees judgement	0	0	1,480		1,480
Contractual disputes	0	0	324		324
Schools in financial difficulties, schools closures and academies	665	852		(370)	482
Total	**36,446**	**36,083**	**7,284**	**(11,440)**	**31,927**

11. SCHOOLS' BALANCES

	Balances as at 31 March 2010	Balances as at 31 March 2011	Transfers In	Transfers Out	Balances as at 31 March 2012
	£000	£000	£000	£000	£000
Funds held by schools	8,982	9,932	3,183		13,115
Funds held by nursery schools	896	586		(203)	383
Funds held by pupil referral units	236	236			236
Total	**10,114**	**10,754**	**3,183**	**(203)**	**13,734**

12. TOTAL EARMARKED RESERVES

	Balances as at 31 March 2010	**Balances as at 31 March 2011**	Transfers In	Transfers Out	**Balances as at 31 March 2012**
	£000	£000	£000	£000	£000
Corporate projects and priorities	6,282	10,848	12,673	(8,700)	14,821
Service reviews and improvements	8,536	6,019	6,367	(850)	11,536
Capital programme and other capital investment	17,630	20,075	15,361	(9,268)	26,168
Strategic financing, technical liabilities and future financial risks	36,446	36,083	7,284	(11,440)	31,927
Schools' balances	10,114	10,754	3,183	(203)	13,734
Total	**79,008**	**83,779**	**44,868**	**(30,461)**	**98,186**

13. NOTES ON MAJOR RESERVES

13.1. Modernisation, Service & Operational Improvement Reserve. This reserve is for one-off expenditure that may be incurred over more than one year and by its nature is not appropriate to be included within annual revenue budgets, that are designed to modernise and improve service levels and operational efficiency of Southwark's activities. Schemes will range across all Council services but will be especially relevant for transformational priorities such as information technology, customer services and accommodation strategies. Schemes funded by this reserve may be of either a capital or revenue nature.

13.2. Regeneration & Development Reserve. This reserve is to fund one-off expenditure that may be incurred over more than one year and by its nature is not appropriate to be included within annual revenue budgets, to facilitate the significant regeneration and development taking place in the borough. Projects include the Elephant & Castle, Canada Water, Southwark Schools for the Future, land acquisitions and other significant one-off costs associated with these projects. Schemes funded by this reserve are predominantly of a capital nature.

13.3. Financial Risk & Future Liabilities Reserve. This reserve is set aside against future financial risks that may arise. For example, taxation risks, legislative and funding changes including actions involving the Greater London Authority and other government bodies, risks as a result of unavoidable changes in accounting practice, and circumstances in so much as they represent uninsured risks.

14. OTHER OPERATING EXPENDITURE

	2011/12	2010/11
	£000	£000
Levies	1,642	1,675
Payment to the government's housing capital receipts pool	1,584	535
(Gains)/losses on the disposal of non-current assets	21,032	27,381
Total Other Operating Expenditure	**24,258**	**29,591**

15. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	Note	2011/12 £000	2010/11 £000
Interest payable and similar charges	15.1	154,581	54,720
Grant contributions towards interest costs on PFI schemes		(2,246)	0
Pensions interest cost and expected return on pensions assets		9,784	17,364
Interest receivable and similar income		(3,101)	(2,587)
Income and expenditure in relation to investment properties and changes in their fair value	15.2	(9,778)	(3,614)
Other investment income and expenditure	15.3	(20)	523
Total Financing and Investment Income and Expenditure		**149,220**	**66,406**

15.1. Interest payable and similar charges include the recognition of £77.902 million premiums met by the government as part of the HRA self financing debt redemption, see Note 4 above (nil in 2010/11).

15.2. Income and expenditure from Housing Revenue Account commercial properties is disclosed within net cost of HRA services within the Housing Revenue Account Income and Expenditure Statement.

15.3. Other investment income and expenditure comprises the gains and losses arising from trading operations, see Note 33.

16. TAXATION AND NON-SPECIFIC GRANT INCOME

HRA self financing settlement

	Note	2011/12 £000	2010/11 £000
Government grant for debt redemption	16.1	(199,254)	0
Government grant towards premium costs	16.1	(77,902)	0
HRA self financing settlement		**(277,156)**	**0**

16.1. See Note 4 above for details.

Taxation and Non-Specific Grant Income - Other

	Note	2011/12 £000	2010/11 £000
Council Tax Income		(90,246)	(88,360)
NDR Redistribution		(177,760)	(201,473)
Non-ringfenced government grants	16.2	(62,423)	(74,744)
Capital Grants	16.3	(53,773)	(78,052)
Total Taxation and Non-Specific Grant Income		**(384,202)**	**(442,629)**

16.2. Analysis of non-ringfenced government grants:

	2011/12 £000	2010/11 £000
Revenue Support Grant	(54,966)	(29,256)
Council Tax freeze grant	(2,257)	0
New homes bonus grant	(3,010)	0
Local services support grant	(2,181)	0
High street support scheme	(9)	0
Performance reward grant	0	(4,334)
Area based grants	0	(41,154)
Total	**(62,423)**	**(74,744)**

16.3. Analysis of capital grants:

	2011/12 £000	2010/11 £000
Capital grants applied:		
Government and other grants – transfer from receipts in advance and applied in year	(53,773)	(78,052)
Total Capital Grants	**(53,773)**	**(78,052)**

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

2011/12	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**TOTAL PP&E**	Investment Properties	Intangible Assets	**TOTAL, ALL ASSETS**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Gross Book Value												
Opening balance	2,603,988	280,079	278,772	190,975	35,724	34,031	119,592	6,093	**3,549,254**	101,356	6,369	**3,656,979**
Restatements	16,914	(53,783)	35,250	(1,505)	1,490	(668)	0	0	**(2,302)**	4	0	**(2,298)**
Additions	50,265	0	70,294	15,104	4,862	405	52,202	0	**193,132**	308	0	**193,440**
Revaluation increases/(decreases) to Revaluation Reserve	5,599	47,363	92,338	0	0	2,038	0	62,081	**209,419**	0	0	**209,419**
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(58,960)	(9,576)	(52,269)	0	0	(4,125)	0	(1,547)	**(126,477)**	12,990	0	**(113,487)**
Derecognition – disposals	(1,193)	(19,155)	(14,469)	0	(1,659)	0	(10)	0	**(36,486)**	0	0	**(36,486)**
Derecognition – other	0	0	(17,026)	0	0	0	(47,136)	0	**(64,162)**	0	0	**(64,162)**
Reclassifications & transfers	(11,760)	19,793	16,095	5,495	0	4,181	(85,397)	(54,262)	**(105,855)**	22,598	0	**(83,257)**
Reclassified to Held for Sale	(137)	(16,001)	(24,054)	0	0	(98)	0	(1,950)	**(42,240)**	0	0	**(42,240)**
Reclassified from Held for Sale	4,641	0	0	0	0	0	0	0	**4,641**	0	0	**4,641**
Balance as at 31 March 2012	**2,609,357**	**248,720**	**384,931**	**210,069**	**40,417**	**35,764**	**39,251**	**10,415**	**3,578,924**	**137,256**	**6,369**	**3,722,549**
Depreciation and Impairment												
Opening balance	792,499	11,807	53,761	34,814	19,875	2,552	0	340	**915,648**	3,936	4,924	**924,508**
Restatements	0	0	(586)	0	(5)	(668)	0	0	**(1,259)**	0	0	**(1,259)**
Depreciation charge	38,815	0	10,054	5,887	3,346	1,292	0	79	**59,473**	0	999	**60,472**
Depreciation written out on Revaluation Reserve	0	0	(1,997)	0	(48)	(15)	0	(209)	**(2,269)**	0	0	**(2,269)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(7,213)	0	(6,441)	2,804	328	(1,319)	0	(109)	**(11,950)**	0	0	**(11,950)**
Derecognition – disposals	(15)	0	(838)	0	(915)	0	0	0	**(1,768)**	0	0	**(1,768)**
Derecognition – other	0	0	(681)	0	0	0	0	0	**(681)**	0	0	**(681)**
Reclassifications and transfers	0	0	(532)	0	0	0	0	0	**(532)**	0	0	**(532)**
Balance as at 31 March 2012	**824,086**	**11,807**	**52,740**	**43,505**	**22,581**	**1,842**	**0**	**101**	**956,662**	**3,936**	**5,923**	**966,521**

2011/12	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**TOTAL PP&E**	Investment Properties	Intangible Assets	**TOTAL, ALL ASSETS**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Net Book Value												
Balance as at 31 March 2012	**1,785,271**	**236,913**	**332,191**	**166,564**	**17,836**	**33,922**	**39,251**	**10,314**	**2,622,262**	**133,320**	**446**	**2,756,028**
Balance as at 31 March 2011	1,811,489	268,272	225,011	156,161	15,849	31,479	119,592	5,753	2,633,606	97,420	1,445	2,732,471

2010/11	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**TOTAL PP&E**	Investment Properties	Intangible Assets	**TOTAL, ALL ASSETS**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Gross Book Value												
Opening balance	2,614,969	270,602	273,468	174,456	33,907	36,785	57,492	6,093	**3,467,772**	96,521	5,780	**3,570,073**
Additions	68,933	476	20,154	16,519	1,817	11	62,100	0	**170,010**	0	589	**170,599**
Revaluation increases/(decreases) to Revaluation Reserve	264	9,001	64,685	0	0	1,000	0	0	**74,950**	7,895	0	**82,845**
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(64,630)	0	(54,160)	0	0	(3,765)	0	0	**(122,555)**	(2,253)	0	**(124,808)**
Derecognition – disposals	0	0	(39,317)	0	0	0	0	0	**(39,317)**	0	0	**(39,317)**
Reclassifications & Transfers	(8,609)	0	13,942	0	0	0	0	0	**5,333**	(807)	0	**4,526**
Reclassified to Held for Sale	(6,939)	0	0	0	0	0	0	0	**(6,939)**	0	0	**(6,939)**
Balance as at 31 March 2011	**2,603,988**	**280,079**	**278,772**	**190,975**	**35,724**	**34,031**	**119,592**	**6,093**	**3,549,254**	**101,356**	**6,369**	**3,656,979**
Depreciation and Impairment												
Opening balance	179,357	11,807	54,247	30,392	15,423	1,447	0	152	**292,825**	3,307	4,219	**300,351**
Depreciation Charge	37,575	0	8,594	4,422	4,452	1,234	0	188	**56,465**	0	705	**57,170**
Depreciation written out on Revaluation Reserve	(4,771)	0	(227)	0	0	0	0	0	**(4,998)**	114	0	**(4,884)**
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(61,804)	0	(7,069)	0	0	(129)	0	0	**(69,002)**	515	0	**(68,487)**
Impairment losses/(reversals) to Revaluation Reserve	159,284	0	0	0	0	0	0	0	**159,284**	0	0	**159,284**
Impairment losses/(reversals) to Surplus or Deficit on the Provision of Services	482,858	0	0	0	0	0	0	0	**482,858**	0	0	**482,858**
Derecognition – disposals	0	0	(1,798)	0	0	0	0	0	**(1,798)**	0	0	**(1,798)**
Reclassifications and transfers	0	0	14	0	0	0	0	0	**14**	0	0	**14**
Balance as at 31 March 2011	**792,499**	**11,807**	**53,761**	**34,814**	**19,875**	**2,552**	**0**	**340**	**915,648**	**3,936**	**4,924**	**924,508**

2010/11	Council Dwellings	Land	Buildings	Infrastructure Assets	Vehicles, Plant & Equipment	Community Assets	PP&E Under Construction	Surplus Assets	**TOTAL PP&E**	Investment Properties	Intangible Assets	**TOTAL, ALL ASSETS**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**	£000	£000	**£000**
Net Book Value												
Balance as at 31 March 2011	**1,811,489**	**268,272**	**225,011**	**156,161**	**15,849**	**31,479**	**119,592**	**5,753**	**2,633,606**	**97,420**	**1,445**	**2,732,471**
Balance as at 31 March 2010	2,435,612	258,795	219,221	144,064	18,484	35,338	57,492	5,941	3,174,947	93,214	1,561	3,269,722

17.1. The valuation of assets has been carried out by the Council's internal valuation service, led by Matthew Jackson MRICS BSc. The effective date of annual revaluations and of the rolling cycle of revaluations is 1 April of the relevant accounting period. The effective date of valuations arising from capital expenditure, physical impairment, or material changes in the value of assets in a sector, is 31 March of the relevant accounting period.

17.2. The entire housing stock is valued on an annual basis, with estates under development and other potential impairments reviewed during the year. Estates under development will normally increase in value when they become non-operational (surplus assets). This is because operational and non-operational assets are valued using different bases, with the value of a non-operational asset (at market value) typically being higher than the basis for valuing a tenanted property. Impairments have been charged to the Income and Expenditure Account and on to the Capital Adjustment Account.

17.3. There were no significant impairment losses or impairment reversals in 2011/12.

17.4. A review of PP&E Under Construction was undertaken during the year, leading to amounts being derecognised from the balance sheet and charged to the CIES as REFCUS. The total amount transferred as REFCUS is represented by:

	2011/12 £000
Academies under the Southwark Schools for the Future scheme	36,640
Waste management facility PFI scheme	7,510
Aylesbury regeneration scheme	2,986
Total amount transferred	**47,136**

17.5. A number of assets held in PP&E Under Construction became operational during the year, leading to their reclassification and transfer within PP&E. Amounts reclassified and transferred are as follows:

	2011/12 £000
Council Dwellings	90
Buildings	79,813
Infrastructure assets	5,494
Total amount reclassified and transferred	**85,397**

17.6. Summary of capital expenditure and financing

How the money was spent:

	2011/12 £000	2010/11 £000
Children's Services	47,769	52,127
Environment and Leisure	18,166	20,433
Housing General Fund	3,513	5,235
Deputy Chief Executive and Finance & Resources departments	731	1,519
Regeneration & Neighbourhoods/Major Projects	18,571	16,696
Health and Community Services	2,777	7,836
Total General Fund	91,527	103,846
Housing Investment Programme	53,481	70,535
Total	**145,008**	**174,381**

How the expenditure was financed:

	2011/12 £000	2010/11 £000
Revenue contributions	22,990	12,745
Using supported borrowing approvals	0	20,660
Using capital receipts received from the sale of assets	55,864	15,242
Specific grants and other contributions	62,361	84,974
Major Repairs Allowance	3,793	40,760
Total	**145,008**	**174,381**

Expenditure by asset class:

	2011/12 £000	2010/11 £000
Fixed assets	129,208	155,424
Revenue expenditure funded by capital under statute	15,800	18,957
Total	**145,008**	**174,381**

17.7. Contractual commitments for the capital programme as at 31 March 2012 can be analysed over the Council's services as follows:

Service	2011/12 £m	2010/11 £m
Children's Services	8.3	86.9
Environment and Leisure	5.5	51.9
Housing General Fund	0.8	6.4
Deputy Chief Executive and Finance & Resources departments	1.1	2.2
Regeneration & Neighbourhoods/Major Projects	0.5	6.4
Health and Community Services	2.0	0
Housing Investment Programme	35.3	91.0
Total committed programme	**53.5**	**244.8**

18. HERITAGE ASSETS

	Note	2011/12 £000
Opening balance		0
Revaluation increases to the Revaluation Reserve	18.2	871
Balance as at 31 March 2012		**871**

18.1. The Council's heritage assets comprise four separate classes of asset as set out below.

Civic Insignia

18.2. The Council's collection of civic insignia is carried in the Balance Sheet at valuation, based on replacement cost. The valuation was provided by Vaughtons in March 2012. The civic insignia was previously held in the Balance Sheet under community assets at a peppercorn value, in accordance with accounting for community assets when historic costs not known.

Statues and Monuments

18.3. The Council does not have reliable cost or valuation information for its statues and monuments because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets in the Balance Sheet. As new assets are acquired or constructed they will be recognised in line with the accounting policy for heritage assets.

Art

18.4. The Council's art collection is made up of material collected by the Council over the years and comprises art and artefacts including a small selection of sculpture, prints, coins and medals. This collection, combined with the collections of the South London Gallery, is known collectively as 'The Southwark Art Collection'. The Council's collection is not reported in the Balance Sheet as the cost of obtaining valuations is prohibitive.

Museum collections

18.5. The Council's museum collections comprise collections located at the Cuming Museum, and the Local History Library and Archives. The collections are not recognised in the Balance Sheet as no cost or valuation information is currently available and the size of the collections prohibits obtaining valuations for them due to the cost involved.

18.6. The Cuming Museum principally has two collections:

- The Cuming Collection of objects put together by Richard and Henry Syer Cuming between 1782 and 1902. These items were collected from all over the world and include archaeology, social history, decorative art, ethnography, geology, textiles, natural history, prints and coins. The Cumings acquired most of their collection by purchase or gift. Purchases, especially of the overseas archaeology, were mostly from auctions. Many of these auctions were the very first auctions of material from collectors/excavators in Egypt and Italy and hence give some of the collection added significance.

- Post-Cuming bequest material: mainly social history and archaeology from the 19th and 20th century, and collections such as the Lovett collection of Charms and Superstitions and the Phillips bequest of ethnographic material.

18.7. The ethnographic material originates from at least 50 different countries spanning North America (including Inuit), South America, Africa, Oceania and Asia, and provides a resource for projects within the diverse world-wide communities of Southwark. Richard Cuming acquired some of the ethnographic material from the Leverian Museum auction, including a collection from Captain Cook's voyages (more than was given to the British Museum). Many of the items acquired from the Leverian auction are on "permanent loan" to Saffron Waldon museum. The importance of the collection is mainly due to the early and verifiable dates of the collection.

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

19.1. The income and expenditure on investment assets was as follows:

	2011/12 £000	2010/11 £000
Rental income from investment property	(8,974)	(9,478)
Direct operating expenses arising	2,805	3,518
Depreciation and impairment charged to the CIES	(3,609)	2,346
Net (gain)/loss included in Financing & Investment Income in the CIES	**(9,778)**	**(3,614)**

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

	2011/12 £000	2010/11 £000
Balance as at 1 April	97,606	93,214
Restatements	(182)	0
Expenditure incurred	1,330	0
Net gains/(losses) from fair value adjustments	25,224	4,392
Transfers (to)/from Held for Sale	9,342	0
Balance as at 31 March	**133,320**	**97,606**

Properties held under operating leases

19.3. The Council holds a number of properties as lessee, held as operating leases, which are then sub-leased out as investment properties. The income and expenditure on these leases is included above in Note 19.1, but being operating leases, are not included with Property, Plant & Equipment.

19.4. The properties held under operating leases are the industrial estates at Sandgate Street and Dockley Road, and workshops on Riley Road. The Council also rents out property for shops, community, and commercial use, including the Surrey Quays Shopping Centre on Redriff Road.

20. INTANGIBLE ASSETS

20.1. The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted within the hardware item of Property, Plant and Equipment. Intangible assets include both purchased licenses and internally generally software.

20.2. The carrying amount of intangible assets is amortised on a straight-line basis, over a three year period. The amortisation of intangible assets is charged directly to the services using the software or, in the case of corporate wide systems, charged to central budgets and then absorbed as an overhead across all the service headings in the Net Expenditure of Services.

	2011/12 £000	2010/11 £000
Gross carrying amounts	6,369	5,780
Accumulated amortisation	(4,924)	(4,219)
Net carrying amount at start of year	**1,445**	**1,561**
Additions:		
Purchases	0	589
	1,445	**2,150**
Amortisation for the period	(999)	(705)
Net carrying amount at end of year	**446**	**1,445**
Comprising		
Gross carrying amounts	6,369	6,369
Accumulated amortisation	(5,923)	(4,924)
Balance at 31 March	**446**	**1,445**

21. FINANCIAL INSTRUMENTS

21.1. The following categories of financial instrument assets are carried in the Balance Sheet:

	Long Term 31/03/2012 £000	Long Term 31/03/2011 £000	Short Term 31/03/2012 £000	Short Term 31/03/2011 £000
Investments				
Available for Sale	23,620	32,917	45,999	117,363
Loans & Receivables			79,054	25,527
Less Trust Funds			(1,547)	(1,535)
Cash and cash equivalents			24,710	47,036
Total Investments	**23,620**	**32,917**	**148,216**	**188,391**
Debtors				
Loans and receivables	3,795	2,822	70,022	79,967
Total debtors	**3,795**	**2,822**	**70,002**	**79,967**

21.2. The following categories of financial instrument liabilities are carried in the Balance Sheet:

	Long Term 31/03/2012 £000	Long Term 31/03/2011 £000	Short Term 31/03/2012 £000	Short Term 31/03/2011 £000
Borrowings				
Financial Liabilities at Amortised Cost	(462,455)	(761,709)	(54)	(54)
Accrued Interest			(5,409)	(9,027)
Total Borrowings	**(462,455)**	**(761,709)**	**(5,463)**	**(9,081)**
Other Long Term Liabilities				
PFI and Finance Lease Liabilities	(107,331)	(25,439)		
Total Other Long Term Liabilities	**(107,331)**	**(25,439)**		
Creditors				
Financial Liabilities at Amortised Cost	(8,364)	(9,185)	(83,363)	(93,598)
Total Creditors	**(8,364)**	**(9,185)**	**(83,363)**	**(93,598)**

21.3. The following table shows income, expense, gains and losses:

	2011/12				2010/11			
	Financial Liabilities at Amortised Cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Total	Financial Liabilities at Amortised Cost	Financial Assets - Loans and Receivables	Financial Assets - Available for Sale	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	52,559			52,559	52,847			52,847
Other Charges	65			65	57			57
De-recognition – Premiums HRA Self-financing Settlement	77,902			77,902				0
De-recognition – Premiums Debt financing	20,604			20,604				0
Total Expenses in Surplus or Deficit on the Provision of Services	**151,130**			**151,130**	**52,904**			**52,904**
Interest Income		(1,228)	(1,886)	(3,114)		(664)	(1,936)	(2,600)
Less Allocated to Other Funds		13		13		14		14
Total Income in Surplus or Deficit on the Provision of Services		**(1,215)**	**(1,886)**	**(3,101)**		**(650)**	**(1,936)**	**(2,586)**
Surplus/(deficit) arising on revaluation of financial assets in other Comprehensive Income & Expenditure			(110)	(110)			137	137
Net Gain/(Loss) for Year	**151,130**	**(1,215)**	**(1,996)**	**147,919**	**52,904**	**(650)**	**(1,799)**	**50,455**

Fair Values of Assets and Liabilities

21.4. Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- Estimated ranges of interest rates at 31 March 2012 of 3.8% to 5.5% for 25 year loans from the PWLB and 0.25% to 1.0% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

21.5. The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012) arising from a commitment to pay interest to lenders above current market rates.

21.6. Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

	2011/12		2010/11	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Fair values of Assets and Liabilities				
Financial liabilities – long term	(462,455)	(649,890)	(761,709)	(954,459)
Financial liabilities – short term	(5,463)	(5,463)	(9,081)	(9,081)
Creditors – long term	(8,364)	(8,364)	(9,185)	(9,185)
Creditors – short term	(83,363)	(83,363)	(93,598)	(93,598)
Other long term liabilities	(107,331)	(107,331)	(25,439)	(25,439)
Investments – long term	23,620	23,620	32,917	32,917
Investments – short term	148,216	148,216	188,391	188,391
Debtors – long term	3,795	3,795	2,822	2,822
Debtors – short term	70,022	70,022	79,967	79,967
Net Total	**(421,323)**	**(608,758)**	**(594,915)**	**(787,665)**

21.7. Long term borrowings falling for repayment in the future:

	31/3/2012	31/3/2011
	£000	£000
Less than 1 year	0	0
Between 1and 5 Years	82,104	217,479
Between 5 and 10 Years	30,751	26,000
Between 10 and 20 Years	123,163	184,230
Over 20 Years	226,437	334,000
Total borrowings	**462,455**	**761,709**

22. DEBTORS

		31/3/2012		31/3/2011
	Short Term Debtors	Long Term Debtors	Short Term Debtors	Long Term Debtors
	£000	£000	£000	£000
Central government bodies	18,921	0	30,502	0
Other local authorities	5,697	0	5,289	0
NHS bodies	1,036	0	816	0
Public corporations and trading funds	11	0	0	0
Other entities and individuals	93,640	3,795	108,955	2,822
Total before impairment	**119,305**	**3,795**	**145,562**	**2,822**
Impairment	(42,891)	0	(46,604)	0
Total net of impairment	**76,414**	**3,795**	**98,958**	**2,822**

23. CASH AND CASH EQUIVALENTS

23.1. The balance of cash and cash equivalents is made up of the elements set out below. Bank overdrafts are included in cash and cash equivalents as they are an integral part of the day-to-day cash management of the Council.

	2011/12 £000	2010/11 £000
Cash held by the Council	12	15
Bank current accounts	(15,279)	(14,346)
Short-term deposits with banks	39,977	61,367
Total cash and cash equivalents	**24,710**	**47,036**

24. ASSETS HELD FOR SALE

	Current 2011/12 £000	Current 2010/11 £000	Non Current 2011/12 £000	Non Current 2010/11 £000
Balance at 1 April	30,707	39,062	88,605	114,076
Assets newly classified as held for sale:				
Additions	25	0	1,161	6
Transfers between Non-Current Assets and Current Assets Held for Sale during the year	33,037	23,763	(33,037)	(23,763)
Transfers from Property, Plant & Equipment	28,262	6,939	92,064	685
Revaluation gains/(losses) taken to Surplus or Deficit on the Provision of Services	(19,855)	5	(1,914)	169
Other revaluation gains/(losses)	(3,668)	0	9,823	(2,568)
Assets sold	(32,200)	(39,062)	(4,120)	0
Balance at 31 March	**36,308**	**30,707**	**152,582**	**88,605**

25. CREDITORS

	31/3/2012 Short Term Creditors £000	31/3/2012 Long Term Creditors £000	31/3/2011 Short Term Creditors £000	31/3/2011 Long Term Creditors £000
Central government bodies	14,356	0	10,791	0
Other local authorities	7,212	0	8,556	0
NHS bodies	2,878	0	634	0
Public corporations and trading funds	134	0	3	0
Other entities and individuals	70,124	8,364	83,349	9,185
Total	**94,704**	**8,364**	**103,333**	**9,185**

26. PROVISIONS

	Balance as at 1 April 2011 £000	Increase in provision during year £000	Utilised during year £000	Unused amounts reversed £000	Balance as at 31 March 2012 £000
Long term provisions					
Insurance claims (note 26.1)	6,513	4,718	(3,371)	(64)	7,796
Legal advice – Court of Protection hearing	150				150
Refund of charges for services provided under s117 of the Mental Health Act 1983	353				353
Settlement of school leasing contracts	160		(160)		0
Total	**7,176**	**4,718**	**(3,531)**	**(64)**	**8,299**
Current provisions					
HMRC claim	332		(56)	(222)	54
Settlement of school leasing contracts	440		(359)		81
Employment termination costs	1,010	935	(289)		1,656
Legal settlement – Health & Community Services	43				43
Legal advice – Court of Protection hearing	150		(88)		62
Refund of charges for services provided under s117 of the Mental Health Act 1983	353				353
Carbon reduction commitment		422			422
Housing contractual dispute		419			419
Total	**2,328**	**1,776**	**(792)**	**(222)**	**3,090**

26.1. The insurance claims provision represents the estimated liability of insurance claims awaiting settlement. Because of their nature, it is not possible to state with any certainty when claims are likely to be settled.

27. USABLE RESERVES

Capital Receipts Reserve

27.1. These are cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

	2011/12 £000	2010/11 £000
Balance 1 April	35,879	5,642
Capital receipts in the year	48,677	46,014
Capital receipt payment from the government	277,156	0
	361,712	51,656
Less:		
Capital receipts paid to the government	(1,584)	(535)
Capital receipts used for financing capital expenditure	(55,864)	(15,242)
Capital receipts used to repay debt & premiums	(277,156)	0
Balance 31 March	**27,108**	**35,879**

Major Repairs Reserve

27.2. The Major Repairs Reserve details the Major Repairs Allowance (MRA) received by the Council from the Government. The MRA is based on national average unit costs for each of the property types and represents the estimated long-term average amount of capital spending required to maintain a local authority's stock in its current condition.

	2011/12 £000	2010/11 £000
Balance 1 April	(8,196)	(11,381)
Transfers from the Capital Adjustment Account	(40,915)	(39,366)
Transfer to the HRA	2,104	1,791
Financing of capital expenditure	3,793	40,760
Balance 31 March	**(43,214)**	**(8,196)**

Capital Grants Unapplied

27.3. Capital grants unapplied are grants received to finance new capital expenditure that have yet to be applied.

	2011/12 £000	2010/11 £000
Balance 1 April	8,923	15,845
Unapplied Capital Grants transferred to the Capital Adjustment Account	(8,448)	(6,922)
Adjustment to 2010/11 funding	(140)	0
Balance 31 March	**335**	**8,923**

Insurance Fund

27.4. 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 and Future Liabilities Reserve, and has contingency through the General Fund balance.

	2011/12 £000	2010/11 £000
Balance 1 April	7,872	9,161
Transfers into the reserve	2,500	287
Transfers out of the reserve	(1,266)	(1,576)
Balance 31 March	**9,106**	**7,872**

28. UNUSABLE RESERVES

28.1. Unusable Reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'. The Unusable Reserves comprise:

	31/3/12 £000	31/3/11 £000
Capital Adjustment Account	1,850,101	1,789,171
Financial Instruments Adjustment Account	(26,923)	(7,753)
Revaluation Reserve	411,097	256,267
Available for Sale Financial Instruments Reserve	234	124
Pensions Reserve	(596,071)	(456,274)
Collection Fund Adjustment Account	(91)	(106)
Accumulating Compensated Absences Adjustment Account	(6,908)	(7,183)
Total Unusable Reserves	**1,631,439**	**1,574,246**

Capital Adjustment Account

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

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

28.4. Note 6 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2011/12 £000	2011/12 £000	2010/11 £000 Restated	2010/11 £000 Restated
Balance at 1 April		1,789,171		2,290,877
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	(197,001)		(593,189)	
Amortisation of intangible assets	(999)		(705)	
Revenue expenditure funded from capital under statute	(62,936)		(18,957)	
Movements in the market value of Investment Properties	12,712		(2,299)	
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(69,499)		(74,439)	
Derecognition of PFI non-current assets	(35,252)		0	
		(352,975)		(689,589)
Transfers from reserves re lease accounting		277		0
Adjusting amounts written out of the Revaluation Reserve re disposals		54,366		26,419
Adjusting amounts written out of the Revaluation Reserve re the difference between fair value depreciation and historical cost depreciation		9,989		2,158
Net written out amount of the cost of non current assets consumed in the year		(288,343)		(661,012)
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	55,864		15,242	
Use of the Capital Receipts Reserve to repay debt under the HRA self-refinancing (Note 28.6)	199,254		0	
Use of the Major Repairs Reserve to finance new capital expenditure	3,793		40,760	
Financing of investments	0		471	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	53,773		78,051	
Application of grants to capital financing from the Capital Grants Unapplied Account	8,588		6,922	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	5,011		5,115	
Capital expenditure charged against the General Fund and HRA balances	22,990		12,745	
		349,273		159,306
Balance at 31 March		**1,850,101**		**1,789,171**

28.5. The comparative figures for 2010/11 have been restated to reflect the additional analysis of movements on the account in 2011/12.

28.6. For details of the debt redemption in 2011/12 under the HRA self-refinancing see Note 4 above.

Financial Instruments Adjustment Account

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

28.8. Amongst the transactions on this Account, the Account is used to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. As a result, the balance on the Account at 31 March 2012 includes £17.525 million to be charged to the HRA over the next 20 years, and £6.645 million to be charged to the General Fund over 44 years until 2054/55.

	2011/12 £000	2010/11 £000
Balance at 1 April	(7,753)	(11,499)
New premiums incurred in the year	(20,604)	0
Proportion of premiums to be charged against the General Fund Balance in accordance with statutory requirements	1,409	3,724
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	25	22
Balance at 31 March	**(26,923)**	**(7,753)**

Revaluation Reserve

28.9. The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. The balance is reduced when assets with accumulated gains are:

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

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

	2011/12 £000	2011/12 £000	2010/11 £000 Restated	2010/11 £000 Restated
Balance at 1 April		256,267		355,906
Upward revaluation of assets	291,646		117,768	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(72,461)		(188,830)	
Total of Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		219,185		(71,062)
Adjusting amounts written to the Capital Adjustment Account re disposals and restatements		(54,366)		(26,419)
Difference between fair value depreciation and historical cost depreciation		(9,989)		(2,158)
Balance at 31 March		**411,097**		**256,267**

28.11. The comparative figures for 2010/11 have been restated to reflect the additional analysis of movements on the account in 2011/12.

Available for Sale Financial Instruments Reserve

28.12. The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2011/12 £000	2010/11 £000
Balance at 1 April	124	261
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	110	(137)
Balance at 31 March	**234**	**124**

Pensions Reserve

28.13. The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12 £000	2010/11 £000
Balance at 1 April	(456,274)	(682,744)
Actuarial (gains)/losses on pensions assets and liabilities	(133,724)	86,741
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,073)	139,729
Balance at 31 March	**(596,071)**	**(456,274)**

Collection Fund Adjustment Account

28.14. The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2011/12 £000	2010/11 £000
Balance at 1 April	(106)	713
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	15	(819)
Balance at 31 March	**(91)**	**(106)**

Accumulating Compensated Absences Adjustment Account

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

	2011/12 £000	2010/11 £000
Balance at 1 April	(7,183)	(7,259)
Settlement or cancellation of accrual made at the end of the preceding year	7,183	7,259
Amounts accrued at the end of the current year	(6,908)	(7,183)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	275	76
Balance at 31 March	**(6,908)**	**(7,183)**

29. ANALYSIS OF ADJUSTMENTS TO SURPLUS/DEFICIT ON THE PROVISION OF SERVICES

	2011/12 £000	2010/11 £000
Adjustment to surplus or deficit on the provision of services for noncash movements		
Depreciation	57,369	54,759
Impairment and downward revaluations Including non-sale derecognitions	128,197	534,566
Excess of depreciation charged to HRA Services over the Major Repairs Allowance element of housing subsidy	2,104	1,706
Amortisation	999	705
(Increase)/decrease in stock	(36)	100
(Increase)/decrease in debtors	25,283	8,135
Increase/(decrease) in impairment provision for bad debts	(3,713)	4,363
Increase/(decrease) in creditors	(9,450)	12,081
Payments to Pension Fund	6,073	(139,729)
Carrying amount of non-current assets sold	69,499	74,439
Increase/(decrease) in provisions	1,885	(1,166)
Contributions to other reserves and provisions	(85,693)	(94,199)
Movement in value of investment properties	(3,609)	2,299
Total	**188,908**	**458,059**

	2011/12 £000	2010/11 £000
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Proceeds from the sale of PP&E, investment property and intangible assets	(48,677)	(46,014)
Capital grants included in "Taxation & non-specific grant income"	(53,773)	(78,052)
Total	**(102,450)**	**(124,066)**

29.1. The cash flows from operating activities include the following amounts:

	2011/12 £000	2010/11 £000
Interest received	(3,142)	(2,630)
Interest paid	59,980	54,687
Net interest	**56,838**	**52,057**

30. CASH FLOW FROM INVESTING ACTIVITIES

	2011/12 £000	2010/11 £000
Purchase of PP&E, investment property and intangible assets	(145,008)	(174,381)
Purchase of long term investments	0	(9,410)
Proceeds from the sale of PP&E, investment property and intangible assets	48,677	46,014
Proceeds from sale of short term investments (not considered to be cash equivalents)	17,849	5,342
Proceeds from sale of long term investments	9,298	0
Capital grants and contributions received	71,472	74,717
Net cash flows from Investing Activities	**2,288**	**(57,718)**

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

31. CASH FLOWS FROM FINANCING ACTIVITIES

	2011/12 £000	2010/11 £000
Cash payments for the reduction of the outstanding liability relating to a finance lease and on-Balance Sheet PFI contracts	(1,004)	(1,501)
Repayments of long term borrowing	(100,000)	0
Other payments for financing activities	(20,604)	0
Net Cash flows from Financing Activities	**(121,608)**	**(1,501)**

32. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

32.1. The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across services.

32.2. The income and expenditure of the Council's principal services recorded in the budget reports for the year is as follows:

2011/12	Children's Services	Health & Community Services	Environment & Leisure	Housing General Fund	Regeneration & Neighbourhoods and Major Projects	Communities, Law and Governance, Deputy Chief Executive	Finance and Resources & Strategic financing	HRA	SCR Income	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(14,087)	(17,296)	(21,191)	(5,892)	(8,170)	(4,214)	(9,619)	(243,112)	0	(323,581)
Government grants	(226,570)	(2,270)	(5,612)	(715)	(290)	(226)	(305,740)	(304,202)	0	(845,625)
Total income	**(240,657)**	**(19,566)**	**(26,803)**	**(6,607)**	**(8,460)**	**(4,440)**	**(315,359)**	**(547,314)**	**0**	**(1,169,206)**
Employee expenses	182,876	15,083	37,708	8,381	9,949	15,375	26,064	30,293		325,729
Other service expenses	176,931	105,607	64,779	34,745	27,946	5,575	243,373	502,306	(1,060)	1,160,202
Support service recharges	13,667	7,194	14,985	0	6,001	3,521	6,505	14,715	(66,588)	0
Total expenditure	**373,474**	**127,884**	**117,472**	**43,126**	**43,896**	**24,471**	**275,942**	**547,314**	**(67,648)**	**1,485,931**
Net expenditure	**132,817**	**108,318**	**90,669**	**36,519**	**35,436**	**20,031**	**(39,417)**	**0**	**(67,648)**	**316,725**

32.3. The comparative data for 2010/11 has been restated where applicable, to reflect the income and expenditure by department as if the departmental structures in 2011/12 had been in place during 2010/11.

2010/11	Children's Services	Health & Community Services	Environment & Leisure	Housing General Fund	Regeneration & Neighbourhoods and Major Projects	Communities, Law and Governance, Deputy Chief Executive	Finance and Resources & Strategic financing	HRA	SCR Income	Total
			Restated	Restated	Restated	Restated	Restated			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(17,440)	(14,559)	(22,648)	(6,256)	(6,858)	(2,890)	(10,145)	(231,772)	0	(312,568)
Government grants	(235,233)	(713)	(5,083)	(1,953)	(1,233)	(283)	(223,331)	(36,704)	0	(504,533)
Total income	**(252,673)**	**(15,272)**	**(27,731)**	**(8,209)**	**(8,091)**	**(3,173)**	**(233,476)**	**(268,476)**	**0**	**(817,101)**
Employee expenses	190,899	15,452	42,077	8,926	11,054	6,729	7,805	28,585	0	311,527
Other service expenses	196,472	110,380	54,588	17,996	16,896	63,865	250,327	224,135	(58,774)	875,885
Support service recharges	10,042	6,221	14,320	1,782	3,384	1,880	6,939	15,756	0	60,324
Total expenditure	**397,413**	**132,053**	**110,985**	**28,704**	**31,334**	**72,474**	**265,071**	**268,476**	**(58,774)**	**1,247,736**
Net expenditure	**144,740**	**116,781**	**83,254**	**20,495**	**23,243**	**69,301**	**31,595**	**0**	**(58,774)**	**430,635**

32.4. The reconciliation below shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £000	2010/11 £000
Net expenditure in the service analysis	316,725	430,635
Amounts included in the service analysis not included in Cost of Services within the Comprehensive Income and Expenditure Statement	129,054	274,337
Amounts not reported to management for decision making	(3,687)	0
Cost of Services in the Comprehensive Income and Expenditure Statement	**442,092**	**704,972**

32.5. This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Service analysis	Allocation of recharges	Amounts not included in the Cost of Services	Amounts not reported to management for decision making	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(307,105)	(4,394)	(911)	(1,764)	(314,174)		(314,174)
Interest and investment income	(12,067)		12,067			(12,067)	(12,067)
Income from council tax	(15)		15			(90,246)	(90,246)
Government grants and contributions	(845,625)		338,385	2,230	(505,010)	(573,359)	(1,078,369)
Total income	**(1,164,812)**	**(4,394)**	**349,556**	**466**	**(819,184)**	**(675,672)**	**(1,494,856)**
Employee expenses	306,066	19,663	3	(4,217)	321,515	(3)	321,512
Other service expenses	906,864	51,319	(267,574)	(2,107)	688,502	2,780	691,282
Support service recharges	66,588	(66,588)	(247)		(247)	247	0
Depreciation, amortisation impairment and revaluations	22,684		226,651	2,171	251,506	(3,608)	247,898
Interest payments	150,883		(150,883)			154,335	154,335
Pensions interest cost & expected return on assets						9,784	9,784
Precepts and levies	1,642		(1,642)			1,642	1,642
Payments to the Housing Capital Receipts Pool	1,584		(1,584)			1,584	1,584
Gain or loss on disposal of fixed assets	25,226		(25,226)			21,031	21,031
PFI derecognition						35,252	35,252
Total expenditure	**1,481,537**	**4,394**	**(220,502)**	**(4,153)**	**1,261,276**	**223,044**	**1,484,320**
Surplus or deficit on the provision of services	**316,725**	**0**	**129,054**	**(3,687)**	**442,092**	**(452,628)**	**(10,536)**

2010/11	Service analysis £000	Amounts not included in the Cost of Services £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(300,503)	(137)	(3,193)	(303,833)	0	(303,833)
Interest and investment income	(12,065)	12,065	0	0	(12,065)	(12,065)
Income from council tax	0	0	0	0	(88,360)	(88,360)
Government grants and contributions	(504,533)	4,156	(356)	(500,733)	(354,270)	(855,003)
Total income	**(817,101)**	**16,084**	**(3,549)**	**(804,566)**	**(454,695)**	**(1,259,261)**
Employee expenses	294,163	(139,729)	20,834	175,268	0	175,268
Other service expenses	117,884	568,542	35,126	721,552	6,422	727,974
Support service recharges	60,324	0	(60,324)	0	0	0
Depreciation, amortisation impairment and revaluations	673,690	(68,885)	7,913	612,718	(35)	612,683
Interest payments	54,720	(54,720)	0	0	54,720	54,720
Pensions interest cost & expected return on assets	17,364	(17,364)	0	0	17,364	17,364
Precepts and levies	1,675	(1,675)	0	0	1,675	1,675
Payments to the Housing Capital Receipts Pool	535	(535)	0	0	535	535
Gain or loss on disposal of fixed assets	27,381	(27,381)	0	0	27,381	27,381
Total expenditure	**1,247,736**	**258,253**	**3,549**	**1,509,538**	**108,062**	**1,617,600**
Surplus or deficit on the provision of services	**430,635**	**274,337**	**0**	**704,972**	**(346,633)**	**358,339**

33. TRADING OPERATIONS

33.1. The list below includes operations of the Council run on a trading account basis. The profit or loss figures are presented on an IAS 19 basis. Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. The expenditure of these operations is charged to services within the Net Operating Expenditure of Continuing Operations and the net profit or loss on trading operations is charged as Financing and Investment Income and Expenditure (see Note 15).

	Turnover 2011/12 £000	(Profit)/Loss 2011/12 £000	Turnover 2010/11 £000	(Profit)/Loss 2010/11 £000
Building	(8,085)	(19)	(9,547)	327
Street & Metal Work Services	(3,129)	2	(3,354)	181
Vehicle Management (Fleet)	(5,136)	(3)	(5,254)	15
Total	**(16,350)**	**(20)**	**(18,155)**	**523**

34. POOLED BUDGETS

34.1. The Council (LBS) and Southwark Primary Care Trust (PCT) operate pooled fund arrangement for the Integrated Community Equipment Service (ICES). LBS is the lead authority for the arrangement. 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. This arrangement was set up under Section 31 of the Health Act 1999, which has now been repealed and replaced by Section 75 of the National Health Service Act 2006, which has consolidated NHS legislation. The pooled budget arrangement continues as if made under the new powers. The memorandum account below brings together the income and expenditure for the ICES pooled arrangement:

Integrated Community Equipment Service	2011/12 £000	2010/11 £000
Income		
LBS	(1,156)	(1,156)
PCT	(289)	(289)
	(1,445)	(1,445)
Expenditure	1,542	1,619
Net over/(under) spend	**97**	**174**
Shared as follows:		
LBS	60	104
PCT	37	70
	97	174

34.2. The Learning Disabilities Service pooled fund arrangement ceased in 2010/11, and in 2011/12 funding was transferred to the Council in the form of a new specific grant from the Department of Health.

35. MEMBERS' ALLOWANCES

35.1. The amount of members' allowances and expenses paid in 2011/12 was £1,265,215 (£1,247,574 in 2010/11).

36. OFFICERS' REMUNERATION

36.1. The Council is required by the Accounts and Audit Regulations to disclose remuneration information of its senior employees. The following table sets out the remuneration for senior officers whose salary is £150,000 per year or more:

	2011/12		2010/11	
Postholder	Total remuneration £	Council's contributions to the Pension Fund £	Total remuneration £	Council's contributions to the Pension Fund £
Chief Executive - A Shepperd	170,310	0	182,089	13,421
Deputy Chief Executive - E Kelly	154,270	22,369	173,787	24,783
Strategic Director of Communities, Law & Governance - D Collins	148,633	20,082	160,383	20,894
Strategic Director of Environment and Housing - G Davies	153,756	21,478	155,755	22,169
Strategic Director, Health & Community Services - S White	148,854	20,768	150,694	21,034
Strategic Director of Children's Services - R Bowen	103,687	15,034	145,310	21,057
Finance Director - D Whitfield	139,564	19,421	143,744	20,026
Strategic Director of Housing Services – G Scott	139,656	19,434	32,126	4,454

36.2. Notes to the above table:

- Total remuneration figures are gross pay before individuals' contributions to the Pension Fund
- Remuneration and pension costs reflect actual payments and contributions made in the financial year
- The Strategic Director of Communities, Law & Governance remuneration includes payments of £4,510 (£10,654 in 2010/11) for additional duties as the council's returning officer
- The post of Strategic Director of Housing Services was newly created and appointed in January 2011.

36.3. During 2011/12 the council employed staff whose taxable remuneration, including payment on termination of employment, was £50,000 or more for the year. The numbers of these employees, excluding the senior officers in the table above, is shown below in bands of £5,000:

Band (£)	Schools	Non schools	Number of employees 2011/12	Number of employees 2010/11
50,000 - 54,999	99	83	182	207
55,000 - 59,999	98	81	179	170
60,000 - 64,999	24	14	38	72
65,000 - 69,999	32	35	67	73
70,000 - 74,999	20	10	30	39
75,000 - 79,999	15	10	25	19
80,000 - 84,999	4	7	11	15
85,000 - 89,999	14	6	20	15
90,000 - 94,999	4	6	10	7
95,000 - 99,999	3	6	9	7
100,000 - 104,999	5	1	6	4
105,000 - 109,999	0	1	1	1
110,000 - 114,999	2	1	3	5
115,000 – 119,999	3	0	3	2
120,000 – 124,999	0	1	1	0
130,000 – 134,999	0	0	0	1
135,000 – 139,999	1	0	1	1
Total	324	262	586	638

36.4. The table includes 18 employees who left the Council in 2011/12 (12 in 2010/11), of whom 14 received termination payments (5 in 2010/11).

37. EXTERNAL AUDIT COSTS

37.1. The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections, and for non-audit services provided by the Council's external auditors:

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	523	527
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	103	83
Fees payable in respect of other services provided by the appointed auditor during the year (see Note 37.2)	50	88
Total	**676**	**698**

37.2. Other services provided by the appointed auditor included fees relating to dealing with objections to the Accounts (£39,000), fraud briefings (£8,000), and National Fraud Initiative (£3,000).

37.3. Fees payable with regard to the audit of the Pension Fund, of £32,000 for 2011/12 (£31,000 in 2010/11), are met directly by the Pension Fund and are not included in the above table.

38. DEDICATED SCHOOLS GRANT

38.1. The Council's expenditure on schools is funded primarily by grant moneys provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

38.2. Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure £000	Individual Schools Budgets £000	Total 2011/12 £000	Total 2010/11 £000
DSG allocation in the year	(31,210)	(163,202)	(194,412)	(171,938)
Brought forward from previous year	(4,819)	0	(4,819)	(4,010)
Agreed budgeted distribution	(36,029)	(163,202)	(199,231)	(175,948)
Actual central expenditure	28,666	0	28,666	21,435
Actual ISB deployed to schools	0	163,202	163,202	150,625
Local Authority Contribution	0	0	0	(931)
Carry forward including agreed in advance	**(7,363)**	**0**	**(7,363)**	**(4,819)**

39. GRANT INCOME

39.1. The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(54,966)	(29,256)
Council Tax freeze grant	(2,257)	0
New homes bonus grant	(3,010)	0
Local services support grant	(2,181)	0
High street support scheme	(9)	0
Performance Reward Grant	0	(4,334)
Area Based Grants	0	(41,154)
HRA self financing settlement	(277,156)	0
Capital Grants and Contributions	(53,773)	(78,052)
Sub total	**(393,352)**	**(152,796)**
Credited to Services		
Dedicated Schools Grant	(194,586)	(171,831)
Housing Benefits Subsidy - Rent Allowances	(98,947)	(93,435)
Housing Benefits Subsidy - Rent Rebates Granted to HRA Tenants	(105,514)	(93,282)
Housing Benefits Subsidy - Non HRA Rent Rebates	(3,996)	(4,072)
Council Tax Benefit Subsidy	(28,011)	(27,407)
Housing Benefit and Council Tax Benefit Administration	(4,240)	(4,286)
Housing Subsidy	(25,351)	(32,315)
Early intervention	(19,485)	0
NHS Section 256 funding	(4,284)	0
Pupil premium grant	(3,998)	0
The Private Finance Initiative (PFI)	(2,776)	(2,776)
LD health and reform grant	(2,270)	0
Young People's Learning Agency	(2,228)	(4,262)
Standards Fund	(1,617)	(25,892)
Youth Justice Board	(978)	(1,175)
Sure Start, Early Years and Childcare Grant	0	(16,307)
School Standards Grant (including Personalisation)	0	(7,101)
Sixth forms funding from Learning and Skills Council (LSC)	0	(1,564)
Home Office Drug Interventions Programme	(526)	(1,560)
Homelessness	(151)	(1,259)
Asylum Seekers	(534)	(1,097)
Social Care Reform	0	(402)
New Deal for Communities	0	(63)
Other grants individually less than £1 million	(7,765)	(10,647)
Sub total	**(507,257)**	**(500,733)**
Total	**(900,609)**	**(653,529)**

39.2. The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the moneys or property to be returned to the giver. These revenue grants, held as receipts in advance are:

	2011/12 £000	2010/11 £000
Social Care Reform Grant	(4,796)	(1,096)
DOH Winter pressures funding	(991)	0
Adult learning	(260)	0
Home Office Drug Interventions Programme	(133)	0
Standards Fund	0	(1,254)
Housing Subsidy	0	(507)
DFT Severe Winter Grant	0	(237)
LSC Diploma Formula Grant	0	(202)
Sure Start	0	(140)
Other grants individually less than £100,000	(55)	(245)
Total	**(6,235)**	**(3,681)**

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

	2011/12 £000	2010/11 £000
Balance as at 1 April	(46,108)	(49,443)
New capital grants received in advance	(71,472)	(74,717)
Amounts released to the Comprehensive Income and Expenditure Account (conditions met)	53,773	78,052
Balance as at 31 March	**(63,807)**	**(46,108)**

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

	2011/12 £000	2010/11 £000
South East London Housing Project	(3,880)	(5,638)
Planning Gains	(37,266)	(24,884)
Lottery Funds	(1,247)	(3,092)
Building Schools for the Future	(0)	(3,838)
Cleaner, Greener, Safer	(276)	(390)
Department of Health	(1,050)	(668)
Standards Fund	(18,107)	(7,263)
Transport for London	(134)	0
Disabled Facilities Grant	(1,652)	0
Other balances less than £100,000	(195)	(335)
Balance as at 31 March	**(63,807)**	**(46,108)**

40. RELATED PARTY TRANSACTIONS

40.1. The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council. In identifying potential related party interests for Councillors, the register of Members' interests has been viewed, and for Chief Officers, direct confirmation has been sought and obtained. Related party interests for which transactions exist in 2011/12 were declared by 32 Councillors and no Chief Officers:

- With voluntary bodies or charitable organisations that received funding totalling £1.3 million (£2.5 million in 2010/11)

- With businesses or other organisations that have contracted for goods and services with the Council to the value of £1.9 million (£23.6 million in 2010/11). In 2010/11 the two largest entities transacting with the Council were Liberata UK Ltd, with payments of £10.3 million and Southwark Primary Care Trust, with payments of £7.7 million. Liberata UK Ltd provided the Council's revenues and benefits service under contract, which expired on 31 March 2011. Also on 31 March 2011, the Council's Strategic Director of Health and Community Services, ceased to be the Chief Executive of Southwark Primary Care Trust, and from this date, the Council had no related party relationship with these organisations during 2011/12.

40.2. 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. Grants received from government departments during the year and receipts outstanding at 31 March 2012 are set out in Note 39 to the accounts.

40.3. The Pension Fund is also a related party and the Council charged the fund £0.9 million (£0.9 million in 2010/11) for expenses incurred in administering the Pension Fund.

41. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	807,093	776,354
Direct capital expenditure in year		
Property, Plant & Equipment	129,208	155,424
Revenue expenditure funded from capital under statute	15,800	17,556
Assets acquired under finance arrangements		
Property, Plant & Equipment under finance leases	1,220	400
PFI projects	82,988	14,776
Investments	0	472
Total capital investment	229,216	188,628
Sources of capital finance		
Capital receipts	(55,864)	(15,242)
Grants and contributions	(62,361)	(83,573)
Direct revenue financing	(22,990)	(12,745)
Major Repairs Allowance	(3,793)	(40,760)
CIES charges for outstanding finance		
Minimum Revenue Provision	(4,383)	(4,068)
Repayment of finance and PFI/PPP liabilities	(2,375)	(1,501)
HRA Self-financing Settlement	(199,254)	0
Total capital investment financed	(351,020)	(157,889)
Net movement in year	(121,804)	30,739
Closing Capital Financing Requirement	**685,289**	**807,093**
Explanation of movement		
Increase in supported borrowing	0	20,660
Increase in credit cover required for PFI assets	84,208	15,648
Repayment of finance and PFI liabilities	(2,375)	(1,501)
Minimum Revenue Provision	(4,383)	(4,068)
HRA Self-financing Settlement	(199,254)	0
Net movement in year	**(121,804)**	**30,739**

42. LEASES

The Council as Lessee – finance leases

42.1. The Council has finance leases for vehicles and office equipment such as photocopiers and IT equipment. The assets are included in Property, Plant & Equipment in the vehicles plant and equipment category.

	2011/12 £000	2010/11 £000
Gross book value at 1 April	8,128	7,728
Additions in the year	1,221	400
Disposals in the year	(1,659)	0
	7,690	8,128
Accumulated depreciation	(6,032)	(5,634)
Net book value at 31 March	**1,658**	**2,494**

42.2. The Council is committed to make minimum payments in future years under these leases, made up of:

	31/3/2012 £000	31/3/2011 £000
Finance lease liabilities		
Current year	785	1,115
Future years	1,077	1,668
Finance charges	327	514
Total payments to be made	**2,189**	**3,297**

42.3. The Council has obligations to make minimum lease payments in future periods of:

			2011/12			2010/11
Period due	Finance charges £000	Finance lease liabilities £000	Total £000	Finance charges £000	Finance lease liabilities £000	Total £000
Within 1 year	172	785	957	264	1,115	1,379
Within 2 to 5 years	155	1,077	1,232	249	1,640	1,889
After 5 years	0	0	0	1	28	29
Total	**327**	**1,862**	**2,189**	**514**	**2,783**	**3,297**

The Council as Lessee – operating leases

42.4. The Council uses a number of properties and vehicles under operating leases. Some of these property assets have been subleased, including the Sandgate and Dockley Road industrial estates. The Council's main Tooley Street office is the largest single asset held under an operating lease. The Tooley Street Office lease is a 25 year lease at an annual rent of £7.7m, which is subject to rent reviews in the future.

42.5. The Council also acquires accommodation from housing associations for those in housing need, under three year operating leases.

42.6. The assessment of vehicles under IFRS required some vehicle leases of 5 years or longer to be treated as finance leases. Leases for office equipment (e.g. photocopiers) have also been reassessed as finance leases.

42.7. Expenditure charged to services in the CIES during the year in the use of operating leases:

			2011/12			2010/11
	Land & buildings £000	Vehicles, plant & equipment £000	Total £000	Land & buildings Restated £000	Vehicles, plant & equipment Restated £000	Total Restated £000
Minimum lease payments	10,316	2,147	12,463	10,256	2,153	12,409
Less sub-lease payments	(1,099)	0	(1,099)	(936)	0	(936)
Total	**9,217**	**2,147**	**11,364**	**9,320**	**2,153**	**11,473**

42.8. The minimum lease payments in 2010/11 have been restated to include employee car leases and additional temporary accommodation leases. The total vehicle lease payments in 2010/11 were previously £1.316 million and is now shown as £2.153 million. The temporary accommodation leases are included in land and buildings and the payments in 2010/11 were previously £9.144 million, and is now shown as £9.320 million.

42.9. The Council has obligations to make minimum lease payments in future periods of:

	31/3/2012			31/3/2011		
	Land & buildings	Vehicles, plant & equipment	Total	Land & buildings Restated	Vehicles, plant & equipment Restated	Total Restated
	£000	£000	£000	£000	£000	£000
Within 1 year	10,437	1,831	12,268	10,008	2,147	12,155
Within 2 to 5 years	40,323	2,918	43,241	40,274	4,714	44,,988
After 5 years	146,333	0	146,333	147,672	35	147,707
Total	**197,093**	**4,749**	**201,842**	**197,954**	**6,896**	**204,850**

42.10. Future payments at 31/3/2011 have been restated to include employee car leases and additional temporary accommodation leases, including those taken on in 2011/12. The total future vehicle lease payments at 31/3/2011 were previously £4.294 million and is now shown as £6.896 million. The temporary accommodation leases are included in land and buildings and the payments at 31/3/2011 were previously £191.752 million, and is now shown as £197.752 million.

The Council as Lessor – finance leases

42.11. The Council holds no finance leases as lessor.

The Council as Lessor – operating leases

42.12. The Council has industrial and commercial units which it lets out. The largest industrial sites are on Sandgate Street and Dockley Road. It also lets out workshops on Riley Road.

42.13. The Council also rents out property for shops, community, and commercial use, including the Surrey Quays Surrey Shopping Centre on Redriff Road.

42.14. The Investment assets in the HRA are used as shops and community centres.

42.15. The future minimum rentals receivable under these leases are expected to be:

Period due	2011/12 £000	2010/11 £000
Within 1 year	9,564	9,182
Within 2 to 5 years	23,931	24,405
After 5 years	107,444	107,407
Total due	**140,939**	**140,994**

43. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

St Michael's Catholic College

43.1. St Michael's is a new build voluntary-aided secondary school, that became operational in January 2011. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Balfour Beatty Education Ltd.

43.2. St Michael's was recognised as a long term liability in the Council's Balance Sheet in 2010/11 on becoming operational, initially in a value of £17.026 million. The liability will be reduced by the capital components within the unitary payments for services to 4 Futures Ltd over the life of the contract.

43.3. The payments to 4 Futures Ltd as unitary charges in 2011/12 totalled £2.667 million (£598,000 2010/11) which are accounted for on the following basis:

	Payments for services £000	Reimbursement of capital expenditure/ (increase in amounts due) £000	Interest £000	Total £000
2011/12	**763**	**(60)**	**1,964**	**2,667**
2010/11	692	(564)	470	598

43.4. Future payments under the contract are estimated to be:

Payments due in Years	Payments due in	Payments for services £000	Reimbursement of capital expenditure £000	Interest £000	Total 31/3/2012 £000	Total 31/3/2011 £000
1	2012/13	643	109	1,963	2,715	2,669
2 -5	2013/14 - 2016/17	2,701	725	7,665	11,091	10,893
6 -10	2017/18 – 2021/22	3,808	1,756	8,858	14,422	14,144
11 -15	2022/23 - 2026/27	5,435	2,100	7,581	15,116	14,802
16 – 20	2027/28 – 2031/32	5,527	4,934	5,441	15,902	15,547
21 +	2032/33 +	5,109	5,776	1,704	12,589	15,634
	Total	**23,223**	**15,400**	**33,212**	**71,835**	**73,689**

43.5. Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding at the end of 2011/12 to pay the contractor for capital expenditure incurred is as follows:

	2011/12 £000	2010/11 £000
Balance outstanding at start of year	15,340	0
Recognise capital expenditure incurred by the contractor	0	17,026
(Payments during the year)/increase in obligation	60	564
Contribution by the Council towards capital expenditure	0	(2,250)
Balance outstanding at 31 March	**15,400**	**15,340**

St Thomas the Apostle College

43.6. St Thomas is a new build voluntary-aided secondary school, that became operational in February 2012. The school has been built and is operated over a 25 year contract by 4 Futures Ltd, the majority shareholder of which is Balfour Beatty Education Ltd.

43.7. St Thomas has been recognised as a long term liability in the Council's Balance Sheet in 2011/12 on becoming operational, initially in a value of £18.226 million. The liability will be reduced by the capital components within the unitary payments for services to 4 Futures Ltd over the life of the contract.

43.8. The payments to 4 Futures Ltd as unitary charges in 2011/12 totalled £277,000 which are accounted for on the following basis:

	Payments for services £000	Reimbursement of capital expenditure/ (increase in amounts due) £000	Interest £000	Total £000
2011/12	**484**	**(495)**	**288**	**277**

43.9. Future payments under the contract are estimated to be:

Payments due in Years	Year Payable	Payments for services £000	Reimbursement of capital expenditure/ (increase in amounts due) £000	Lifecycle costs £000	Interest £000	Total 31/3/2012 £000
1	2012/13	1,225	(545)	2	1,793	2,475
2 -5	2013/14 - 2016/17	3,258	840	64	7,288	11,450
6 -10	2017/18 – 2021/22	3,367	2,725	619	8,205	14,916
11 – 15	2022/23 - 2026/27	4,188	3,615	1,161	6,705	15,669
16 – 20	2027/28 – 2031/32	4,889	5,531	1,408	4,693	16,521
21 +	2032/33 +	4,655	6,555	1,795	1,547	14,552
	Total	**21,582**	**18,721**	**5,049**	**30,231**	**75,583**

43.10. Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding at the end of 2011/12 to pay the contractor for capital expenditure incurred is as follows:

	2011/12 £000
Balance outstanding at start of year	0
Recognise capital expenditure incurred by the contractor	18,226
(Payments during the year)/increase in obligation	495
Balance outstanding at 31 March	**18,721**

Future PFI school

43.11. In addition to St Michael's and St Thomas, another new school is under development by 4 Futures Ltd, Sacred Heart Catholic School. This is also a voluntary–aided secondary school. Sacred Heart has an expected construction start date of August 2012, with operational completion in August 2014.

43.12. As the school is not yet operational, the liability to make capital repayments has not been recognised on the Council's Balance Sheet.

43.13. The expected liability to pay unitary charges under this contract is estimated to be:

Payments due in years	Period	£000
1	2012/13	0
2 -5	2013/14 - 2016/17	7,773
6 -10	2017/18 – 2021/22	15,419
11 -15	2022/23 - 2026/27	16,198
16 -20	2027/28 – 2031/32	17,078
21 - 25	2032/33 – 2036/37	19,258
	Total	**75,726**

Integrated Waste Management Facility

43.14. On 11 February 2008 the Council entered into a 25-year PFI contract with Veolia Environmental Services for the collection and disposal of waste in the borough. The £682 million contract will enable the Council to deliver government targets for waste minimisation, landfill diversion and recycling.

43.15. Veolia are to provide high specification facilities to receive, transfer and treat waste under the PFI contract for a period of 25 years from the date of completion of a new facility at Old Kent Road, a site the Council has been leased to the company with effect from 9 September 2008. Until the new facility became operational in February, Veolia made use of the Council's existing facility at Manor Place, which has been leased by the company from 11 February 2008. Elements of the contract include:

- Kerbside collection of dry recyclables
- Recovery and recycling of bulky, fly tipped and street cleansing waste
- Provision of a materials recycling facility (MRF) and mechanical and biological treatment (MBT) plant on the Old Kent Road site
- Kerbside collection of organic waste (kitchen and green waste) from 2015
- Outputs from the MBT facility will be diverted from landfill through the existing South East London Combined Heat and Power (SELCHP) waste incinerator plant
- Landfill disposal of residual waste.

43.16. Until the Old Kent Road facility became operational, the contract with Veolia has effectively operated as a conventional waste collection and disposal contract at this time. Contract payments were charged to the Consolidated Income and Expenditure Statement as they arise, and there were no lease arrangements or Balance Sheet accounting considerations. From the point the facility became operational, the contract has been accounted for as an on-Balance Sheet PFI scheme.

43.17. The Integrated Waste Management Facility has been recognised as a leased asset in the Council's Balance Sheet in 2011/12 on becoming operational, within Property, Plant and Equipment, in a value of £64.198 million. A matching long term liability has been recognised, which will be reduced by the capital components within the unitary payments for services to Veolia over the life of the contract. At the end of the contract the asset will revert back to the Council, with an expected remaining operational life of 10 years.

43.18. Contract payments of £21.139 million were made to Veolia in 2011/12 under this scheme (£19.959 million 2010/11).

	Payments for services £000	Reimbursement of capital expenditure/ (increase in amounts due) £000	Interest £000	Total £000
2011/12	**21,139**	**(9)**	**9**	**21,139**

43.19. Future payments under the contract are estimated to be:

Payments due in Years	Year Payable	Payments for services £000	Reimbursement of capital expenditure/ (increase in amounts due) £000	Lifecycle costs £000	Interest £000	Total 31/3/2012 £000	Total 31/3/2011 £000
1	2012/13	18,318	3,079	0	3,313	24,710	21,951
2 -5	2013/14 - 2016/17	70,475	12,750	1,350	11,709	96,284	100,214
6 -10	2017/18 – 2021/22	95,294	16,591	2,705	10,908	125,498	125,294
11 -15	2022/23 - 2026/27	106,533	15,676	13,611	7,250	143,070	144,702
16 -20	2027/28 – 2031/32	128,500	13,378	17,419	3,628	162,925	166,120
21	2032/33	23,252	2,733	3,538	324	29,847	72,373
	Total	**442,372**	**64,207**	**38,623**	**37,132**	**582,334**	**630,654**

43.20. Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding at the end of 2011/12 to pay the contractor for capital expenditure incurred is as follows:

	2011/12 £000
Balance outstanding at start of year	0
Recognise capital expenditure incurred by the contractor	64,198
(Payments during the year)/increase in obligation	9
Balance outstanding at 31 March	**64,207**

Anchor Homes

43.21. Four of the Council's adult residential care homes are operated by an external contractor, Anchor Homes. The four homes are Rose Court, Greenhive, Blue Grove and Waterside.

43.22. Although the assets are in Council ownership, and are recognised within Property, Plant and Equipment in the Balance Sheet, the contractor has carried out significant works at the homes. Although this is not a PFI scheme, accounting standards under IFRS view the payments to the contractor to include reimbursement of the capital expenditure carried out on the Council's assets, and the payments to be recognised in accordance with PFI accounting.

43.23. The payments to Anchor Homes as unitary charges in 2011/12 totalled £5.355 million (2010/11 £6.218 million), which are accounted for on the following basis:

	Payments for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
2011/12	**4,254**	**180**	**921**	**5,355**
2010/11	5,116	159	943	6,218

43.24. Future payments under the contract are estimated to be:

Year Payable	Payments for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total 31/3/2012 £000	Total 31/3/2011 £000
2012/13	4,109	205	897	5,211	5,210
2013/14 - 2016/17	16,435	1,135	3,272	20,842	20,842
2017/18 - 2021/22	20,544	2,524	2,985	26,053	26,053
2022/23 - 2026/27	14,973	3,272	860	19,105	24,316
Total	**56,061**	**7,136**	**8,014**	**71,211**	**76,421**

43.25. Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding at the end of 2011/12 to pay the contractor for capital expenditure incurred is as follows:

	2011/12 £000	2010/11 £000
Balance outstanding at start of year	7,316	7,475
Payments during the year	(180)	(159)
Balance outstanding at year end	**7,136**	**7,316**

43.26. The net book values of the care homes included in Note 17 Property, Plant & Equipment are:

	31/3/2012 £000	31/3/2011 £000
Rose Court	2,785	2,860
Greenhive	2,513	2,577
Blue Grove	2,591	2,663
Waterside	2,080	2,102
Total at 31 March	**9,969**	**10,202**

44. IMPAIRMENT LOSSES

44.1. There were no other significant impairment losses or impairment reversals in 2011/12.

45. TERMINATION BENEFITS

Exit package cost band	Number of schools exit packages		Number of non schools exit packages		Total exit packages		Total cost of exit packages in each band	
	2011/12	2010/11	**2011/12**	2010/11	**2011/12**	2010/11	**2011/12**	2010/11
							£	£
£0-£20,000	**55**	16	**262**	91	**317**	107	**3,060,280**	992,734
£20,001-£80,000	**7**	12	**109**	40	**116**	52	**3,388,467**	1,567,794
Total	**62**	28	**371**	131	**433**	159	**6,448,747**	2,560,528

45.1. The Council did not offer a voluntary severance scheme to its staff. Where staff left on redundancy the post that they occupied was subject to deletion or reduction; as such the Council does not classify individuals' decisions to leave as either voluntary or compulsory redundancy, and there are no differences in payments.

45.2. At the balance sheet date, provisions of £1.536 million have been set aside to meet termination benefits costs not yet incurred of reorganisations already in progress at 31 March 2012 (£1.010 million at 31 March 2011).

46. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

46.1. Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

46.2. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Council's Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

46.3. In 2011/12, the Council paid £9.09 million to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (£9.61 million and 14.1% respectively in 2010/11). There were no contributions remaining payable at the year-end.

46.4. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47 below.

47. DEFINED BENEFIT PENSION SCHEMES

Participation in the Local Authority Pension Scheme

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

47.2. The Council participates in two pension fund schemes, the London Borough of Southwark Pension Fund and the London Pension Fund Authority Pension Fund. Both are funded schemes, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contributions, assets, liabilities and assumptions for both schemes are set out separately in the following sections.

The London Borough of Southwark Pension Fund

47.3. The Council recognises the cost of retirement benefits in the CIES of when they are earned by employees, rather than when the benefits are eventually paid as pensions.

47.4. However, the charge the Council is required to make against council tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

	2011/12 £000	2010/11 £000
Net cost of services:		
Current service cost	26,100	29,400
Past service cost/(gain)	5,500	(152,000)
Net operating expenditure:		
Interest cost	66,300	70,500
Expected return on scheme assets	(56,900)	(53,900)
Total post-employment benefit charged to the surplus or deficit on the provision of services	41,000	(106,000)
Other post-employment benefit charged to the comprehensive income and expenditure statement:		
Actuarial (gains)/losses	129,500	(68,800)
Total post-employment benefit charged to the comprehensive income and expenditure statement	170,500	(174,800)
Adjustments between accounting basis and funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(135,509)	144,786
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to scheme	**34,991**	**30,014**

47.5. Reconciliation of present value of the scheme liabilities:

	2011/12 £000	2010/11 £000
Balance as at 1 April	1,229,400	1,400,600
Current service cost	26,100	29,400
Interest cost	66,300	70,500
Contributions by members	10,300	10,000
Actuarial losses/(gains)	101,600	(89,300)
Past service costs/(gains)	5,500	(152,000)
Estimated benefits paid	(45,800)	(39,800)
Balance as at 31 March	1,393,400	1,229,400

47.6. Reconciliation of present value of the scheme assets:

	2011/12 £000	2010/11 £000
Balance as at 1 April	781,900	747,400
Expected return on assets	56,900	53,900
Contributions by members	10,300	10,000
Contributions by employer	35,400	30,900
Actuarial gains/(losses)	(27,900)	(20,500)
Benefits paid	(45,800)	(39,800)
Balance as at 31 March	810,800	781,900

47.7. London Borough of Southwark employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this Note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2012.

47.8. The actual return on scheme assets in 2011/12 was a gain of £29.0 million (£33.4 million gain in 2010/11)

47.9. The fair value of plan assets is shown in the following table. The asset values are at bid value as required by IAS 19.

	31/3/2012 £000	31/3/2011 £000
Equities	492,966	481,600
Property	121,620	111,800
Government bonds	89,999	87,600
Corporate bonds	94,053	86,800
Cash	12,162	14,100
Total	810,800	781,900

47.10. The Council's share of the Net Pension Liability included in the Balance Sheet is shown below. Timing differences arise between the actuary's assessment of scheme liabilities, and the Council's decisions at financial close on the funding of outstanding pension entitlements and transfers to the Pension Fund.

	31/3/2012 £000	31/3/2011 £000
Fair Value of Employer Assets	810,800	781,900
Present value of funded liabilities	1,393,400	1,229,400
Timing differences between the actuarial assessments and employer's contributions to the Fund	(5,416)	(5,007)
Net Asset/(Liability)	(588,016)	(452,507)

47.11. Analysis of scheme assets and liabilities

	31/3/12 £m	31/3/11 £m	31/3/10 £m	31/3/09 £m	31/3/08 £m
Fair value of assets	810.8	781.9	747.4	576.4	717.3
Present value of liabilities	1,393.4	1,229.4	1,400.6	1,017.5	930.0
Surplus/(deficit)	**(582.6)**	**(447.5)**	**(653.2)**	**(441.1)**	**(212.7)**

47.12. Amount recognised in Other Comprehensive Income and Expenditure:

	31/3/12 £m	31/3/11 £m	31/3/10 £m	31/3/09 £m	31/3/08 £m
Total actuarial gains/ (losses)	(129.5)	68.8	(182.8)	163.3	(429.3)

47.13. The history of experience gains and losses are shown below:

	2011/12 £m	2010/11 £m	2009/10 £m	2008/09 £m	2007/08 £m
Experience gains/(losses) on assets	(27.9)	(20.5)	134.0	(193.5)	(67.3)
Experience gains/(losses) on liabilities, excluding changes in actuarial assumptions	(8.5)	93.6	10.8	(3.6)	(39.9)

47.14. The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,393.4 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £582.6 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the London Borough of Southwark Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

47.15. The actuary to the London Borough of Southwark Pension Fund estimates the charges to the CIES in 2012/13 will be:

	2012/13 £000
Current service cost	31,200
Past service costs	0
Expected return on Pension Fund assets	(54,500)
Interest on Pension Fund liabilities	66,700
Total charge	**43,400**

47.16. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The Council's Fund liabilities have been assessed by an independent firm of actuaries, estimates for the Council Fund being based on data pertaining to the latest full valuation of the scheme as at 31 March 2010.

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Equity investments	8.1%	8.4%
Property	7.6%	7.9%
Government bonds	3.1%	4.4%
Corporate bonds	3.7%	5.1%
Cash	1.8%	1.5%
All other assets	8.1%	8.4%
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	21.2 years	21.1 years
Women	23.0 years	22.9 years
Longevity at 65 for future pensioners:		
Men	25.9 years	25.8 years
Women	27.9 years	27.8 years
Inflation/Pension Increase Rate	2.6%	2.8%
Salary Increase Rate	5.1%	5.2%
Expected Return on Assets	6.9%	7.4%
Discount Rate	4.8%	5.4%

47.17. On retirement, members of the Fund have the option to convert annual pension into retirement lump sum. The actuary's assumptions as at 31 March 2012 are that each member is assumed to exchange 30% of the maximum amount permitted of their pre 1 April 2010 pension entitlements, for additional lump sum. Each member is assumed to exchange 70% of the maximum amount permitted of their post 31 March 2010 pension entitlements, for additional lump sum. At 31 March 2011 the assumptions were that each member was assumed to exchange 30% of their past service pension rights on retirement for additional lump sum and 70% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.

The London Pension Fund Authority Pension Fund

47.18. The Council recognises the cost of retirement benefits in the CIES of when they are earned by employees, rather than when the benefits are eventually paid as pensions.

47.19. However, the charge the Council is required to make against council tax is based on the cash payable in the year, and the real cost of retirement benefits is reversed out in the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement. The following transactions have been made in the CIES and the adjustments between accounting basis and funding basis under regulations line, in the Movement on Reserves Statement during the year:

	2011/12 £000	2010/11 £000
Net cost of services:		
Current service cost	271	304
Past service cost/(gain)	0	(4,170)
Net operating expenditure:		
Interest cost	2,580	2,954
Expected return on scheme assets	(2,196)	(2,190)
Total post-employment benefit charged to the surplus or deficit on the provision of services	655	(3,102)
Other post-employment benefit charged to the comprehensive income and expenditure statement:		
Actuarial (gains)/losses	4,224	(17,941)
Total post-employment benefit charged to the comprehensive income and expenditure statement	4,879	(21,043)
Adjustments between accounting basis and funding basis under regulations:		
Reversal of net charges made for retirement benefits in accordance with IAS 19	(4,288)	20,430
Actual amount charged against the General Fund balance for pensions in the year:		
Employers' contributions payable to scheme	**591**	**613**

47.20. Reconciliation of present value of the scheme liabilities:

	2011/12 £000	2010/11 £000
Balance as at 1 April	48,139	64,367
Current service cost	271	304
Interest cost	2,580	2,954
Contributions by members	82	75
Actuarial losses/(gains)	4,217	(12,883)
Past service costs/(gains)	0	(4,170)
Estimated benefits paid	(2,850)	(2,508)
Balance as at 31 March	**52,439**	**48,139**

47.21. Reconciliation of present value of the scheme assets:

	2011/12 £000	2010/11 £000
Balance as at 1 April	44,359	38,978
Expected return on assets	2,196	2,190
Contributions by members	82	75
Contributions by employer	590	566
Actuarial gains/(losses)	(7)	5,058
Benefits paid	(2,850)	(2,508)
Balance as at 31 March	**44,370**	**44,359**

47.22. The London Pension Fund Authority estimates the expected return on assets based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The returns on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The returns on equities and property are then assumed to be a margin above gilt yields.

47.23. The actual return on scheme assets in 2011/12 was a gain of £2.189 million (£2.562 million gain in 2010/11).

47.24. The fair value of plan assets is shown in the following table. The asset values are at bid value as required by IAS 19.

	31/3/2012 £000	31/3/2011 £000
Cashflow matching	14,199	15,526
Equities	5,768	5,323
Target Return Portfolio	23,516	23,954
Cash	887	(444)
Total	**44,370**	**44,359**

47.25. The Council's share of the Net Pension Liability included in the Balance Sheet is shown below. Timing differences arise between the actuary's assessment of scheme liabilities, and the Council's decisions at financial close on the funding of outstanding pension entitlements and transfers to the LPFA.

	31/3/2012 £000	31/3/2011 £000
Fair Value of Employer Assets	44,370	44,359
Present value of funded liabilities	52,439	48,139
Timing differences between the actuarial assessments and employer's contributions to the Fund	14	13
Net Asset/(Liability)	**(8,055)**	**(3,767)**

47.26. Analysis of scheme assets and liabilities

	31/3/12 £000	31/3/11 £000	31/3/10 £000	31/3/09 £000	31/3/08 £000
Fair value of assets	44,370	44,359	38,978	36,847	42,543
Present value of liabilities	52,439	48,139	64,367	44,416	46,432
Surplus/(deficit)	**(8,069)**	**(3,780)**	**(25,389)**	**(7,569)**	**(3,889)**

47.27. Amount recognised in Other Comprehensive Income and Expenditure:

	31/3/12 £000	31/3/11 £000	31/3/10 £000	31/3/09 £000	31/3/08 £000
Total actuarial gains/ (losses)	(4,217)	12,883	(19,476)	3,314	8,180

47.28. The history of experience gains and losses are shown below:

	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000	2007/08 £000
Experience gains/(losses) on assets	(7)	5,058	2,677	(6,101)	(300)
Experience gains/(losses) on liabilities, excluding changes in actuarial assumptions	0	5,129	0	0	4,804

47.29. The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £44.370 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a net liability of £8.055 million. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the LPFA Pension Fund will be made good by increased contributions over the remaining working life of employees, assessed by the scheme actuary.

47.30. The actuary to the LPFA Pension Fund estimates the charges to the CIES in 2012/13 will be:

	2012/13 £000
Current service cost	317
Past service costs	0
Expected return on Pension Fund assets	(1,870)
Interest on Pension Fund liabilities	2,356
Total charge	**803**

47.31. To assess the value of the liabilities as at 31 March 2012, the actuary to the LPFA Pension Fund has rolled forward the value of the Council's liabilities calculated for the triennial valuation as at 31 March 2010, allowing for the different financial assumptions required under IAS 19. A similar roll-forward approach was taken for the report as at 31 March 2011. The actuary estimates that the approach of rolling forward the previous valuation data to 31 March 2011 should not introduce any material distortions in the results provided that the actual experience of the Council and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. The actuary has advised, from the information received, that there appears to be no evidence that this approach is inappropriate.

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
Cashflow matching	3.3%	4.4%
Equities	6.3%	7.2%
Target Return Portfolio	4.5%	5.0%
Cash	3.0%	3.0%
Mortality assumptions:		
Longevity at 65 current pensioners:		
Men	19.7 years	19.6 years
Women	22.9 years	22.8 years
Longevity at 65 for future pensioners:		
Men	21.8 years	21.7 years
Women	24.8 years	24.7 years
Inflation/Pension Increase Rate	2.5%	2.7%
Salary Increase Rate	4.2%	4.5%
Expected Return on Assets	4.3%	5.1%
Discount Rate	4.6%	5.5%

47.32. The actuary to the LPFA Pension Fund has made the following assumptions:

- Members will exchange half of their commutable pension for cash at retirement
- Active members will retire one year later than they are first able to do so without reduction.

48. OTHER LONG TERM LIABILTIES

48.1. Other long term liabilities represent the Council's obligations to pay for presumed capital benefits received under long term contracts. The liabilities are:

	2011/12 £000	2010/11 £000
Payments due under finance leases	1,867	2,783
Payments due under PFI schemes and similar arrangements:		
Anchor Homes	7,136	7,316
St Michael's Catholic College	15,400	15,340
St Thomas the Apostle College	18,721	0
Integrated Waste Management Facility	64,207	0
Deferred rental due on leasing of building assets	3,329	5,387
Total	**110,660**	**30,826**

48.2. St Thomas the Apostle College and the Integrated Waste Management Facility are recognised for the first time in 2011/12 as a result of these PFI projects becoming operational. See Note 43 for further details on all the PFI and similar schemes.

49. CONTINGENT LIABILITIES

49.1. On 3 July 2009 there was a serious fire at Lakanal House (a block of Council flats). Direct costs associated with the block and other dwellings in the borough are being met from existing budgets. However, police investigations are continuing, and civil claims have been presented. Potential costs are not possible to estimate at this time.

50. CONTINGENT ASSETS

50.1. The Council has made claims against HM Revenue and Customs (HMRC) for VAT overpaid between the years 1973 and 1996. The Council's claims are in response to the House of Lords' decisions in the cases of Michael Fleming vs. HMRC and Condé Nast Publications Ltd vs. HMRC, which disapplied the three year time limit for input tax claims in respect of periods before 1 May 1997, and output tax claims in respect of periods before 4 December 1996. This has provided local authorities with the opportunity to recover VAT overpaid to HMRC relating to periods from 1973 to 1997.

50.2. At 31 March 2012 claims related to cemeteries' charges have been presented but have yet to be agreed and settled by HMRC, potentially £266,000 excluding interest and costs.

50.3. The Council has entered into a major regeneration scheme at Canada Water, which will significantly improve the extent to which the area will be used and stimulate economic growth for the area, as well as adding significant value for existing business and the Council's commercial partners in the scheme. The scheme involves two major partners, BDW Trading Limited (formerly known as Barratt Homes Limited), and British Land Canada Quays Limited (BLCQ) who are the Major Development Partner (MDP) of the Council in regenerating the area. The scheme involves managing cashflow to reinvest resources in the regeneration area to meet Council objectives and to create future value, by using the proceeds from the sales of assets, processed through the Council's accounts. This enables the Council to provide both funding and act as catalyst for others' funding of the scheme. Proceeds from the sales come back to the Council at different times from the payments initially made by BDW, the amounts and timings as set out under contract in the development agreement. There are opportunities for significant overage at a later date, from both BDW and BLCQ. However, the timings and the amounts are uncertain as at this time, and will depend in part on market conditions. See also Note 52 below.

50.4. As a result of unlawful dumping on the Council's property at Honor Oak Cemetery, the Council instituted civil proceedings against 3 defendants. The action was successful and the defendants were ordered to pay the Council £1.63m in damages and approx 60% of the Council's costs. The Council is now seeking to recover costs from the defendants.

50.5. A fire on Green Acre building site on 29 November 2009 caused damage to Council buildings. Such damage is covered by the Council's insurers with an excess on the policy of approximately £1 million. The Council is therefore considering joining insurers in a claim against Green Acres to recover the excess.

51. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

51.1. The Council holds financial instruments in the normal course of its operations and therefore has exposure to liquidity, credit and market risks. The Council has in place arrangements to control and report key financial instrument risks at both Council and operational levels, as required by statutory regulations and guidelines, as well as the Treasury Management in the Public Services Code of Practice and the Prudential Code of Capital Finance in Local Authorities both produced by the Chartered Institute of Public Finance and Accountancy.

51.2. Investments are managed prudentially, with capital preservation and liquidity being high priorities. Cash and investments are used to finance the Council's working capital operations. Borrowing pays for capital spend incurred in previous years or due to occur in coming years.

51.3. Trade receivables arise from the carrying out of the Council's functions and the provisions of goods and services.

51.4. The Council does not trade in financial instruments or hold derivatives.

Liquidity risk

51.5. The Council has access to long term loan facilities from the Public Works Loans Board (an Executive Agency of HM Treasury) to fund maturing debt and capital finance requirements. Investment may also be realised for working capital requirements.

51.6. The maturity profiles of Council debt and investments at 31 March 2012 are shown on pages 11 and 12.

Credit risk

51.7. The Council draws on credit ratings published by major rating agencies in determining counterparties in which investments may be placed. A high priority is placed on capital preservation and is reflected in the high rating demanded from investment counterparties. Credit risk is further diversified by allocating investments across several counterparties, which include the UK Government and supranational entities. An analysis of credit exposure on investments is contained in the Explanatory Foreword to these accounts. The maximum exposure to credit risk is represented by the sums held in investments.

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

Market risk

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

51.10. Council borrowing outstanding at 31 March 2012 is at fixed rates, with an average maturity of 23 years and a modified duration of 13 (modified duration is a number which includes interest rate risk in its calculation, and is used in making risk assessments in treasury management decisions). No debt falls for refinance until 2015 (see the debt maturity chart in the Explanatory Foreword, page 11) and there is no exposure to variable rate debt. A 1% rise in rates at the Balance Sheet date lowers fair value by £75 million, a 1% fall raises it by £94 million. As debt is held at amortised cost there would be no impact on the Income and Expenditure Account from such changes, unless the debt is extinguished. Legislation would then require the charge to be taken to the Financial Instruments Adjustment Account.

51.11. The overall average life of financial assets (i.e. the Council's investments) is 0.40 years and the modified duration is 0.40. Within that, the available-for-sale investments have an average life of 1.0 years and a modified duration of 1.0. A 1% change in rates on available-for-sale investments at Balance Sheet date changes the fair value by £0.70 million, which is reflected in the Balance Sheet in the available-for-sale reserve. There is no impact on the Income and Expenditure Account, unless the investment is realised. A 1% change in rates on loans and receivable investments at the Balance Sheet date changes the fair value by £0.04 million, but as these are held at amortised cost there is no impact on the Balance Sheet or Income and Expenditure Account unless the investment is extinguished.

51.12. Investments are held in short term deposits/certificate of deposits with major banks and building societies. Money is also held in money market funds, and investments of more than one year are held in UK government gilts or supranational bonds. In 2011/12 the Council employed three fund managers to manage 50% of its investments with the remainder managed in-house.

Foreign exchange risk

51.13. The Council has no financial assets or liabilities denominated in foreign currencies, and therefore has no exposure to losses arising from movements in exchange rates.

52. JOINTLY CONTROLLED OPERATIONS (JCO)

52.1. The Council has entered into a major regeneration scheme at Canada Water, which will significantly improve the extent to which the area will be used and stimulate economic growth for the area, as well as adding significant value for existing business and the Council's commercial partners in the scheme. The scheme involves two major partners, BDW Trading Limited (formerly known as Barratt Homes Limited), and British Land Canada Quays Limited (BLCQ) who are the Major Development Partner (MDP) of the Council in regenerating the area. The partnership with BLCQ operates as a JCO.

52.2. The Council finances the regeneration of Canada Water by depositing part of the proceeds from its sales of assets into a third party account. The costs of regeneration incurred by BLCQ as MDP on behalf of the Council, and the redistribution back to the Council of the proceeds of the sales, are met from the third party account. The transactions of the third party account are incorporated in the Council's accounts as if the transactions had been incurred directly by the Council. At 31 March 2012 the third party account held £4.157 million of Council funds (£5.254 million 31 March 2011) included in long term debtors, representing the balance of receipts to be returned to the Council, or to be applied as future investment into this programme.

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Local authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

	Note	2011/12 £000	2010/11 £000
Income			
Dwelling rents		(170,944)	(161,870)
Non dwelling rents		(9,995)	(9,502)
Charges for services and facilities		(58,365)	(57,330)
Contributions towards expenditure		(4,295)	(3,193)
HRA subsidy receivable (including MRA)	3	(25,351)	(32,315)
Total income		(268,950)	(264,210)
Expenditure			
Repairs and maintenance		49,157	50,075
Supervision and management		105,163	109,807
Rents, rates, taxes and other charges		915	2,210
Depreciation and impairment of fixed assets	4	127,026	524,719
Debt management costs		286	288
Increase in provisions for bad debts		195	1,589
Revenue expenditure funded from capital under statute	5	1,611	1,602
Total expenditure		284,353	690,290
Net Cost of HRA Services included in the Comprehensive Income and Expenditure Statement		**15,403**	**426,080**
HRA share of CDC costs		1,106	1,106
Net Cost of HRA Services		**16,509**	**427,186**
Gains and losses on the sales of HRA fixed assets		(6,540)	(3,920)
Interest payable and similar charges		44,075	44,297
Premiums arising from debt refinancing	14	95,092	0
Interest and investment income		(177)	(110)
Pensions interest cost and expected return on pensions assets		1,437	2,476
Capital grants and contributions receivable		(1,695)	(4,156)
Exceptional item – self-financing debt adjustment	14	(277,156)	0
Total (surplus)/deficit for the year		**(128,455)**	**465,773**

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

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

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

	Note	2011/12 £000	2010/11 £000
(Surplus)/deficit for the year on HRA services		(128,455)	465,773
Net additional amounts required by statute	6	121,544	(472,226)
(Increase)/decrease in the HRA Balance		(6,911)	(6,453)
HRA Balance brought forward		(20,577)	(14,124)
Balance carried forward	**7**	**(27,488)**	**(20,577)**

HRA PROPERTY, PLANT AND EQUIPMENT

2011/12	Council Dwellings £000	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total £000
Gross Book Value						
Balance as at 1 April 2011	2,603,988	5,855	62,233	381	5,643	2,678,100
Restatements	16,914	(5,771)	(10,903)	0	0	240
Additions	50,265	0	427	0	0	50,692
Revaluation increases/decreases to Revaluation Reserve	5,599	5	48,240	0	57,318	111,162
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(58,960)	(36)	(30,197)	0	(1,357)	(90,550)
Disposals	(1,193)	0	0	0	0	(1,193)
Reclassifications & Transfers	(11,760)	38,353	(40,816)	235	(1,020)	(15,008)
Reclassified to Held for Sale	(137)	0	(319)	0	(55,969)	(56,425)
Reclassified from Held for Sale	4,641	0	0	0	0	4,641
Balance as at 31 March 2012	**2,609,357**	**38,406**	**28,665**	**616**	**4,615**	**2,681,659**
Depreciation and Impairment						
Balance as at 1 April 2011	792,499	0	2,864	293	318	795,974
Depreciation Charge	38,815	0	1,966	73	79	40,933
Depreciation written out on Revaluation Reserve	0	0	(95)	0	(209)	(304)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(7,213)	0	(2,627)	0	(109)	(9,949)
Disposals	(15)	0	0	0	0	(15)
Reclassifications and transfers	0	0	3	181	0	184
Balance as at 31 March 2012	**824,086**	**0**	**2,111**	**547**	**79**	**826,823**
Net Book Value as at 31 March 2012	**1,785,271**	**38,406**	**26,554**	**69**	**4,536**	**1,854,836**
Net Book Value as at 31 March 2011	1,811,489	5,855	59,369	88	5,535	1,882,126

2010/11	Council Dwellings restated £000	Land £000	Buildings £000	Vehicles, Plant & Equipment £000	Surplus Assets £000	Total, restated £000
Gross Book Value						
Balance as at 1 April 2010	2,614,969	0	47,624	0	51,893	2,714,486
Additions	68,933	0	0	0	0	68,933
Revaluation increases/decreases to Revaluation Reserve	264	5,855	1,108	381	0	7,608
Revaluation increases/(decreases) to Surplus or Deficit on the Provision of Services	(64,630)	0	(178)	0	0	(64,808)
Reclassifications & Transfers	(8,609)	0	13,679	0	(46,250)	(41,180)
Reclassified to Held for Sale	(6,939)	0	0	0	0	(6,939)
Balance as at 31 March 2011	**2,603,988**	**5,855**	**62,233**	**381**	**5,643**	**2,678,100**
Depreciation and Impairment						
Balance as at 1 April 2010	179,357	0	1,796	0	0	181,153
Depreciation Charge	37,575	0	1,706	293	160	39,734
Depreciation written out on Revaluation Reserve	(4,771)	0	(227)	0	0	(4,998)
Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services	(61,804)	0	(425)	0	16	(62,213)
Impairment losses/reversals to Revaluation Reserve	159,284	0	0	0	2	159,286
Impairment losses/reversals to Surplus or Deficit on the Provision of Services	482,858	0	0	0	140	482,998
Reclassifications and transfers	0	0	14	0	0	14
Balance as at 31 March 2011	**792,499**	**0**	**2,864**	**293**	**318**	**795,974**
Net Book Value as at 31 March 2011	**1,811,489**	**5,855**	**59,369**	**88**	**5,325**	**1,882,126**
Net Book Value as at 31 March 2010	2,435,612	0	45,828	0	51,893	2,533,333

The opening gross book value for council dwellings, and the opening depreciation and impairment, have been restated to be consistent with Note 17 to the Balance Sheet. There is no movement in the opening or closing net book values for council dwellings as a result of this change.

NOTES TO THE HOUSING REVENUE ACCOUNT STATEMENTS

1. THE HOUSING REVENUE ACCOUNT (HRA)

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

2. ANALYSIS OF HOUSING STOCK BY TYPE OF DWELLING

Type of dwelling		Number of bedrooms 1	2	3+	Other	Total **31/3/12**	31/3/11
Houses and bungalows	**31/3/12**	**407**	**750**	**2,910**	**0**	**4,067**	
	31/3/11	409	747	2,920	0		4,076
Low rise flats	**31/3/12**	**2,952**	**637**	**369**	**0**	**3,958**	
	31/3/11	2,963	644	370	0		3,977
Medium rise flats	**31/3/12**	**6,940**	**7,424**	**6,375**	**0**	**20,739**	
	31/3/11	6,955	7,426	6,384	0		20,765
High rise flats	**31/3/12**	**3,180**	**4,937**	**1,855**	**0**	**9,972**	
	31/3/11	3,195	4,940	1,855	0		9,990
Non permanent	**31/3/12**	**0**	**0**	**0**	**7**	**7**	
	31/3/11	0	0	0	7		7
Multi occupied	**31/3/12**	**0**	**0**	**0**	**247**	**247**	
	31/3/11	0	0	0	247		247
TOTALS	**31/3/12**	**13,479**	**13,748**	**11,509**	**254**	**38,990**	
	31/3/11	13,522	13,757	11,529	254		39,062

2.1. In addition to the numbers shown in the table above, as at 31 March 2012 there were also 1,263 void properties (1,390 at 31 March 2011). These are mostly decanted properties within the major redevelopment projects currently underway and are excluded from the subsidy calculation; but whilst having been made secure they have not yet been demolished.

2.2. The vacant possession value of dwellings as at 1 April 2012 was £7,138.803 million (£7,253.895 million as at 1 April 2011). The difference between the vacant possession value and Balance Sheet value of dwellings within the HRA shows the economic cost to the government of providing council housing at less than market rents.

3. HRA SUBSIDY

3.1. Until the end of 2011/12 housing subsidy has been 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.

3.2. The HRA is charged for any limitation of (General Fund) Housing Benefit Subsidy. Average rent and relevant service charges were within the rebate rent limit in 2011/12, and therefore there was no limitation deduction.

3.3. Under the Localism Act 2011, housing subsidy was abolished for English authorities from April 2012. Authorities were given a debt adjustment in late March 2012, in order to leave them with a level of future debt charges which would be affordable from the annual surplus of rent and other income over expenditure. See also Note 14 below.

	2011/12 £000	2010/11 £000
Management & Maintenance allowances	(105,042)	(102,972)
Major Repairs Allowance	(38,811)	(37,573)
Capital Charges subsidy	(54,122)	(56,848)
Interest on Receipts deduction	16	26
Guideline rent income deduction	172,608	165,052
Total Housing Subsidy	**(25,351)**	**(32,315)**

4. DEPRECIATION AND IMPAIRMENT CHARGES

	2011/12 £000	2010/11 £000
Dwellings depreciation	38,811	37,575
Other property depreciation	2,104	1,706
Impairment	86,111	485,438
Total	**127,026**	**524,719**

4.1. Impairment arises from capital expenditure carried out on dwellings which has not changed the value of those dwellings, or from reductions in the value of assets in excess of any carrying values held in the Revaluation Reserve.

4.2. The impairment charge for 2010/11 arose from a significant change by the government in the prescribed valuation methodology for Council dwellings.

4.3. All depreciation and impairment charges are reversed out of the HRA to the Capital Adjustment Account. The values have no net effect on rents or other HRA income.

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

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

5.2. In 2011/12 £1.611 million was incurred in the HRA as REFCUS (£1.602 million in 2010/11).

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

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

	£000	2011/12 £000	2010/11 £000
Items included in the HRA Income and Expenditure Account but excluded from the movement on the HRA Balance for the year			
Difference between amounts charged to income and expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(16,034)		3,634
Difference between any other item of income and expenditure and determined in accordance with the Code	6		(27)
Amount by which finance costs calculated in accordance with the Code are different from the amount of finance costs calculated in accordance with statutory requirements	8		(91)
Impairment including write-down of capital works	(86,097)		(485,351)
Gains and losses on the sales of HRA fixed assets excluding costs	6,540		3,890
Recognise payment made by the Secretary of State as contribution to the repayment of HRA debt	277,156		0
Application of contribution to the repayment of debt	(77,902)		0
Revenue expenditure funded from capital under statute	(1,611)		(1,602)
Application of grants to capital financing transferred to the Capital Adjustment Account	1,695		4,156
Net charges made for retirement benefits in accordance with IAS 19	(5,391)		(6,813)
		98,370	(482,204)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year			
Transfer to/(from) Major Repairs Reserve	(2,104)		(1,791)
Transfer to/(from) Capital Adjustment Account	61		79
Employer's contributions payable to pension funds and retirement benefits payable direct to pensioners	5,799		4,670
Capital expenditure funded by the HRA	19,418		7,020
		23,174	9,978
Net additional amount required by statute to be charged to the HRA		**121,544**	**(472,226)**

7. HRA BALANCE

7.1. HRA reserves at 31 March 2012 are £27.5 million and are allocated as follows:

	2011/12 £m	2010/11 £m
Regeneration and Development Reserve	5.6	4.9
Modernisation, Service and Operational Improvement Reserve	0.7	1.0
Financial Risk Reserve	17.6	13.1
Other earmarked reserves	3.6	1.6
Total	**27.5**	**20.6**

7.2. The Regeneration and Development Reserve of £5.6 million relates in the main to the redevelopment of the Aylesbury Estate.

7.3. The Modernisation, Service and Operational Improvement Reserve of £0.7 million is for IT modernisation, including general infrastructure.

7.4. The Financial Risk Reserve, £17.6 million, includes £5.0 million Contingency reserve, broadly representing 1.8% of gross HRA revenue spend and Housing Investment Programme spend. The Reserve also provides £2.0 million to self-insure against the risks of subsidence and significant fire damage to the Council's housing stock, £5.0 million set aside for debt refinancing, and £5.6 million Heating Account Reserve, which represents the cumulative balance available to mitigate energy cost pressures and minimise future increases in heating charges.

7.5. The other earmarked reserves, £3.6 million, comprise a range of specific resources for the tenants' fund, leaseholders' fund, Browning EMB, etc, totalling £1.1 million. The balance also includes one-off (non-recurring) schemes and projects aimed at improving customer service and delivery across the housing service, and to meet specific cost pressures outside the existing revenue budget.

8. MAJOR REPAIRS RESERVE

	2011/12 £000	2010/11 £000
Balance 1 April	(8,196)	(11,381)
Transfers from the Capital Adjustment Account	(40,915)	(39,366)
Transfer to the HRA	2,104	1,791
Financing of capital expenditure	3,793	40,760
Balance 31 March	**(43,214)**	**(8,196)**

9. CAPITAL EXPENDITURE AND FINANCING

	2011/12 £000	2010/11 £000
Capital Investment		
Operational assets	51,870	68,933
REFCUS	1,611	1,602
Total	**53,481**	**70,535**
Funding Source:		
Revenue contributions	19,418	7,020
Supported borrowing approvals	0	12,526
Capital receipts from the sales of assets	28,575	6,072
Grants and other contributions	1,695	4,157
Major Repairs Reserve	3,793	40,760
Total	**53,481**	**70,535**

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

	2011/12 £000	2010/11 £000
Council dwellings		
Right to Buy	(3,632)	(3,296)
Discounts repaid	0	(32)
Non Right to Buy	(18,360)	(14,498)
Other receipts		
Land sales	(7,175)	(10,593)
Mortgages	(60)	(79)
	(29,227)	(28,498)
Less: Pooled (paid to central Government)	1,584	535
Total	**(27,643)**	**(27,963)**

11. HOUSING TENANTS ACCOUNTS

	2011/12 £000	2010/11 Restated £000
Gross arrears as at 1 April	15,832	16,286
Prior year payments	(5,828)	(5,630)
Arrears as at 1 April	10,004	10,656
Charges due in the year	211,496	197,815
Rent rebates	(105,620)	(97,163)
Write-offs	(2,056)	(2,833)
Adjustments	(4,208)	(3,321)
Cash collected	(99,183)	(95,150)
Net arrears as at 31 March	10,433	10,004
Payments in advance	6,052	5,828
Gross arrears as at 31 March	**16,485**	**15,832**

11.1. The arrears position as at 31 March 2012 comprises all dwelling stock and non-residential properties, hostels and Browning EMB. It excludes temporary accommodation, i.e. bed & breakfast, private sector leasing, and travellers' sites, as these are General Fund services. The 2010/11 comparative arrears figures have been restated to reflect the exclusion of Tenant Management Organisation (TMO) arrears from the Council's accounts. TMOs are standalone and have separate legal status from the Council, on whose behalf they manage c. 3,500 properties. The relationship between the parties is such that the TMO assumes the risk for arrears. This change in presentation has no impact on the HRA Income & Expenditure Account.

12. IMPAIRMENT OF DEBTORS

	2011/12 £000	2010/11 £000
Rents	8,781	8,615
Income from hostels	223	303
Court costs	793	751
Commercial rents	487	420
Total	**10,284**	**10,089**

13. PENSIONS COSTS

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

13.2. The apportionment of charges to the HRA under IAS 19 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, the expected return on pension assets, and actuarial gains and losses.

	2011/12 £000	2010/11 £000
Current service cost	3,954	4,337
Expected return on employer assets	(8,691)	(8,026)
Interest on pension scheme liabilities	10,128	10,503
Actuarial (gains)/losses	19,748	(10,959)
Total IAS 19 charges	25,139	(4,145)
Less Pensions costs attributable to the HRA	(5,799)	(4,670)
Movement on the Pensions Reserve	**19,340**	**(8,815)**

14. EXCEPTIONAL ITEM RE DEBT REDEMPTION

14.1. From 1 April 2012 the HRA will operate on a self financing basis. The receipt of housing subsidy grant will cease, and the HRA will contain its expenditure within the income generated from housing rents and other sources. As part of the transition to self financing, on 28 March 2012 the government prematurely repaid £199.254 million of the Council's debt as held by the Public Works Loan Board, in order to bring debt financing costs to the HRA as part of total costs to an affordable level. In prematurely repaying this debt the government also incurred premiums totalling £77.902 million.

14.2. Although the government met these costs directly, and no funds passed through the Council's books, accounting practice requires that the HRA, as part of the Consolidated Income and Expenditure Statement (CIES), recognises the receipt of grant to meet the debt and premium cost. The premiums incurred by the government are also shown as expenditure within the HRA. The debt repayment is reflected as a Balance Sheet item and does not get discharged to the HRA or elsewhere in the CIES.

14.3. The premium cost to the HRA also includes £17.190 million from other debt refinancing by the Council in 2011/12.

COLLECTION FUND

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

INCOME AND EXPENDITURE ACCOUNT

	Notes	2011/12 £000	2010/11 £000
Income			
Income from Council Tax	1	(95,574)	(95,313)
Transfer from the General Fund, Council Tax benefits		(27,566)	(26,841)
Income collectable from business ratepayers	2	(179,353)	(164,828)
Income collectable in respect of Business Rate Supplements	3	(6,238)	(5,932)
Contribution from preceptors towards previous year's Collection Fund deficit	4	(87)	0
Total Income		**(308,818)**	**(292,914)**
Expenditure			
Precepts and Demands			
Greater London Authority (GLA)		30,670	29,873
London Borough of Southwark		90,296	87,948
Non Domestic Rates	2		
Payment to National Pool		178,689	164,160
Cost of collection		664	668
Business Rate Supplements (BRS)	3		
Payment to GLA's BRS Revenue Account		6,207	5,887
Administrative costs		31	45
Council Tax Impairment of debts			
Allowance for impairment		(7,195)	1,763
Council Tax write offs		9,437	2,017
Contribution to preceptors from previous year's Collection Fund surplus	4	0	1,652
Total Expenditure		**308,799**	**294,013**
Net deficit/(surplus) for the year		(19)	1,099
Deficit/(surplus) at 1 April		142	(957)
Deficit/(surplus) at 31 March		**123**	**142**

NOTES TO THE COLLECTION FUND

1. COUNCIL TAX

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

1.2. In 2011/12 the estimated income required from the Collection Fund for all preceptors was £120.967 million (£117.820 million in 2010/11). The amount of Council Tax for a band D property (£1,221.96 in both 2011/12 and in 2010/11) is multiplied by the "ratio" specified for the particular band to give the Council Tax due from properties in other bands. The table below shows how the Council Tax base was set and the resulting band D Council Tax:

Band	Estimated number of properties after effect of discounts 2011/12	2010/11	Ratio	Equivalent number of Band D properties 2011/12	2010/11
A	10,102.65	9,921.45	6/9	6,734.40	6,613.72
B	31,005.55	30,547.80	7/9	24,115.43	23,759.40
C	28,568.45	28,140.05	8/9	25,394.18	25,013.38
D	17,960.05	17,239.45	1	17,960.05	17,239.45
E	11,945.55	11,294.20	11/9	14,600.12	13,804.02
F	5,097.20	4,957.25	13/9	7,362.62	7,160.47
G	3,611.10	3,561.40	15/8	6,018.50	5,935.67
H	466.70	455.15	18/9	933.40	910.30
Total	**108,757.25**	**106,116.75**		**103,118.70**	**100,436.41**
Less adjustment for collection rate				(4,124.75)	(4,017.46)
Council Tax Base for year				**98,993.95**	**96,418.95**
Estimated Income Required from Collection Fund				**£120,966,650**	**£117,820,105**
Band D Council Tax				**£1,221.96**	**£1,221.96**

2. NATIONAL NON DOMESTIC RATES

2.1. National Non-Domestic Rates (NNDR) or business rates are collected from local businesses by the Council. The rates collected are then paid into a national pool administered by the Government. The Government then redistributes the total paid into the pool back to local authorities on the basis of a fixed amount per head of the population.

2.2. The business rates are based on local rateable values and a multiplier set by the Government. The non-domestic rating multiplier set by the Government for 2011/12 was 43.3p and 42.6p for small business (41.4p and 40.7p respectively for 2010/11). Local businesses pay NNDR calculated by multiplying their rateable value by these rates and subject to certain reliefs and deductions.

2.3. The total rateable value in the Council at 31 March 2012 was £528.961 million (£518.999 million at 31 March 2011).

3. BUSINESS RATE SUPPLEMENT

3.1. The Business Rate Supplements (BRS) or Crossrail BRS are collected from local businesses by the Council, on behalf of the Greater London Authority.

3.2. The BRS is based on local rateable values, as with the general business rate (NNDR) and was introduced by the Mayor of London in April 2010. The levy set for 2011/12 was 2p on non-domestic properties with a rateable value of over £55,000 in London, which is same as the levy set for 2010/11.

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

4.1 As a billing authority, the Council is required to make an estimate of the surplus or deficit on the Collection Fund for the year, by the 15 January each year. The estimated surplus or deficit is used in setting the Council Tax for the following year, by reducing the Council Tax if there is a surplus or increasing the Council Tax if there is a deficit. In January 2011, the Council estimated an accumulated deficit balance of £87,260 for 2010/11 as follows:

	£
Surplus as at 31 March 2010	(956,681)
Less estimated deficit for 2010/11	1,043,941
Estimated deficit as at 31 March 2011	**87,260**

4.2 The estimated deficit was apportioned between the Council and the Greater London Authority based on their respective demands and precepts on the Collection Fund (74.6% and 25.4%) as follows:

Distribution of previous year's estimated Collection Fund deficit

	£
Greater London Authority	22,164
London Borough of Southwark	65,096
Estimated deficit for 2010/11, redistributed in 2011/12	**87,260**

TRUST FUNDS & OTHER THIRD PARTY 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. Funds where the Council is the sole trustee

	Balance at 31/3/11	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/12
	£	£	£	£
Adult Social Care Funds				
Individual bequests	53,113	584	0	53,697
Comforts Funds/residents' savings	4,719,819	3,713,354	(3,232,799)	5,200,374
Children's Service Trusts				
Miscellaneous	28,818	1,775	0	30,593
Environment and Housing Trusts				
Pullens Gardens maintenance fund	117,114	1,218	0	118,332
Corporate Services Trusts				
Mayor's Charity	12,002	39,107	(40,483)	10,626
Total	**4,930,866**	**3,756,038**	**(3,723,282)**	**5,413,622**

1.1. The purposes of the 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
Comforts 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
Pullens Gardens maintenance fund	To meet the maintenance cost of Pullens Gardens
Mayor's Charity	The Mayor's Charity account supports the activities associated with the Mayor's annual charity appeal

2. Funds where the Council is not the sole trustee

	Balance at 31/3/11	Increase in fund balance	(Decrease) in fund balance	Balance at 31/3/12
	£	£	£	£
Funds for the relief of Council Tax				
Walworth Common	927,430	9,645	0	937,075
Borough Market Trustees	802	8	0	810
Leisure Trusts				
Cuming Bequest	9,619	100	0	9,719
Total	**937,851**	**9,753**	**0**	**947,604**

2.1. The purposes of the funds are listed below:

Walworth 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

ACCOUNTING POLICIES

1. CHANGES TO ACCOUNTING POLICIES IN 2011/12

1.1. The following changes to accounting polices in 2011/12 arise either as a result of changes to the Code of Practice for 2011/12, changes in statutory requirements, or as a result of reviews of the Accounts and the existing policies. The changes, included in the policies set out below, are:

- The introduction of accounting for the carbon reduction commitment (paragraphs 2.10)
- The introduction of heritage assets (paragraphs 2.49 -2.51)
- Clarification of depreciation rates for infrastructure and vehicles, plant & equipment (paragraph 2.94)
- Clarification of the treatment of sales of dwellings under the Right to Buy, and their exclusion from Assets Held for Sale (paragraphs 2.99).

2. ACCOUNTING POLICIES

General Principles

2.1. The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities (SeRCOP), supported by International Financial Reporting Standards (IFRS). The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

2.3. Where the amount due is unknown then an estimated amount has been allowed for.

2.4. For year-end purposes a de minimis of £5,000 applies for accruals of income and expenditure, except for capital expenditure accruals where a de minimis of £50,000 applies.

Cash and Cash Equivalents

2.5. Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Exceptional Items

2.6. When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

Carbon Reduction Commitment

2.10. The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the Comprehensive Income and Expenditure Statement, and is apportioned to services on the basis of energy consumption.

Charges to Revenue for Non-Current Assets

2.11. Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

2.12. The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance (England and Wales), and set out in the treasury strategy report approved annually by Council Assembly. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance with the Minimum Revenue Provision by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits - Benefits Payable During Employment

2.13. Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. Such entitlements are expected to be taken within three months of the end of the financial year, and the accrual is made at the wage and salary rates applicable in the accounting year. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Employee Benefits - Termination benefits

2.14. Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

2.15. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Employment Benefits - The Local Government Pension Scheme

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

2.17. The Council's shares of its liabilities in both funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees. Liabilities are discounted to their value at current prices, the disclosures on Note 47 to the Accounts set out the discount rates and assumptions applied by each fund.

2.18. The assets of fund attributable to the Council are included in the Balance Sheet at their fair value:

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

2.19. The change in the net pensions liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense

2.20. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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

Employment Benefits - The Teachers' Pension Scheme

2.22. Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

2.23. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of the Council's Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

2.24. On this basis, no liability for the future payments of benefit is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

Events After the Balance Sheet Date

2.25. Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

2.26. Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

2.27. Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

2.28. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

2.29. Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

2.30. Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

2.31. Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

2.32. Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

2.33. However, the Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

2.34. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

2.35. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

2.36. Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

2.37. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

2.38. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

2.39. Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

2.40. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

2.41. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Foreign Currency Translation

2.42. Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

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

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

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

2.45. Moneys advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

2.46. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

2.47. Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

2.48. A Business Improvement District (BID) scheme may apply across the whole of the Council, or to specific areas of the Council. Schemes are funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under these schemes, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the Comprehensive Income and Expenditure Statement.

Heritage Assets

2.49. Heritage assets are assets with historical, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. These may be tangible or intangible assets.

2.50. Where an asset meeting the above definition is newly acquired or constructed then that asset will be recognised in the Balance Sheet at cost. For existing assets where no information on cost or value is available, the asset will not be recognised in the Balance Sheet, but will be disclosed in the Notes to the Accounts. If an existing heritage asset is subsequently revalued then the asset will be recognised in the Balance Sheet at valuation.

2.51. For assets held in the Balance Sheet depreciation will be provided for only where a heritage asset has a determinable finite useful life. Depreciation methodology will be consistent with that applied for Property, Plant and Equipment (PP&E), i.e. by the systematic allocation of its depreciable amount over its useful life. Heritage assets will be reviewed annually for evidence of impairment and where impairment is identified the accounting treatment for PP&E shall be followed. Disposals are expected to be rare and would be accounted for in the same way as disposals of PP&E.

Intangible Assets

2.52. Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

2.53. Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

2.54. Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

2.55. Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

2.56. Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Inventories and Long Term Contracts

2.57. Stocks and stores are recorded and charged in the Accounts at average price.

2.58. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Property

2.59. Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

2.60. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

2.61. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

2.62. Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

2.63. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Leases

2.64. Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

2.65. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee – Finance leases

2.67. Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

2.68. Lease payments are apportioned between:

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

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

2.70. The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council as Lessee - Operating Leases

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

The Council as Lessor – Finance leases

2.72. Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

2.73. Lease rentals receivable are apportioned between:

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

2.74. The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

2.75. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Council as Lessor – Operating Leases

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

Overheads and Support Services

2.77. The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice for Local Authorities (SeRCOP) 2011/12. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

2.78. These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

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

Property, Plant and Equipment - Recognition

2.80. Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred.

2.81. The Council has no de minimis for recognising capital expenditure charged to specific resources only available for capital purposes (borrowing, proceeds from the sales of assets, the receipt of specified grants). However, the value of General Fund assets and HRA non-dwellings is deemed not to have been enhanced if the value of capital works on an individual asset is less than £10,000. This expenditure is written out to the Income and Expenditure Account. If the amount of expenditure on an individual asset is above £100,000, details of the works are provided to the Valuer with a request to revalue the asset. As the majority of non-dwelling assets are valued at Depreciated Historic cost (DHC), assets where there is spend between £10,000 and £100,000 are deemed to have been enhanced to this value and are revalued as part of the rolling programme.

Property, Plant and Equipment - Measurement

2.82. Assets are initially measured at cost, comprising:

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

2.83. The Council does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

2.84. Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

2.85. Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end:

- All HRA assets are revalued on an annual basis. Dwellings are valued using the Beacon method
- All other fair value assets are valued as part of a 5 year rolling cycle
- Individual assets or classes of assets may be revalued outside the 5 year cycle, for reasons of capital expenditure incurred, physical impairment, or material changes in the value of assets in a sector.

2.86. The effective date of annual revaluations and of the rolling cycle of revaluations is 1 April of the relevant accounting period. The effective date of valuations arising from capital expenditure, physical impairment, or material changes in the value of assets in a sector, is 31 March of the relevant accounting period.

2.87. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

2.88. Where decreases in value are identified, they are accounted for by:

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

2.89. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Property, Plant and Equipment - Impairment

2.90. Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

2.91. Where impairment losses are identified, they are accounted for by:

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

2.92. Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Property, Plant and Equipment - Depreciation

2.93. Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

2.94. Depreciation classes and depreciation rates were reviewed in 2011/12, for infrastructure assets and vehicles, plant & equipment. Where applicable, the new rates were applied from 1 April 2007, with accumulated adjustments for asset values being taken to the CIES in 2011/12 as the balances were not material to warrant restating the 2010/11 Accounts. Depreciation is calculated on the following bases:

- Council housing – based on the Government assessed value for the Major Repairs Allowance, otherwise 40 years
- Other land and buildings, 24 – 100 years
- Vehicles, furniture & IT hardware, 5 years (7 years, 2010/11)
- Plant, fittings & play equipment ,15 years (7 years, 2010/11)
- Highway structures, 50 years (40 years, 2010/11)
- Footways, 30 years (40 years, 2010/11)
- Carriageway, highway drainage & street lighting, 25 years (40 years, 2010/11)
- Street furniture & hard landscaping, 15 years (40 years, 2010/11)
- Soft landscaping, 5 years (40 years, 2010/11)
- Community assets, 10 – 100 years
- Intangible assets, 3 years.

2.95. Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Code of Practice requires that this accounting practice be applied from 2010/11 only, and be applied incrementally as components are replaced, which is a departure from other changes to accounting practice which would require the accounting practice be applied retrospectively to comparative periods (see Note 2.8). In 2010/11 land and building components were separated for all assets apart from HRA dwellings, and incrementally componentised as a result of material capital expenditure incurred.

2.96. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Property, Plant and Equipment - Disposals and Non-Current Assets Held for Sale

2.97. When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

2.99. From 2011/12 expected sales under the Right to Buy are not included in Assets Held for Sale, due to the uncertainty in achieving the sales and the number of assets that have subsequently been reclassified back to operational assets.

2.100. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

2.101. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

2.102. Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

2.103. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

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

2.105. The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

2.110. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

2.111. Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

2.112. After initial recognition, allowances are measured at the lower of cost and net realisable value. As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

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

2.114. A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

2.115. The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

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

Revenue Expenditure Funded from Capital under Statute

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

VAT

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

PENSION FUND ACCOUNTS

FUND ACCOUNT

	Note	2011/12 £000	2010/11 £000
Contributions	8	(47,930)	(45,419)
Transfers in from other pension funds		(7,719)	(6,379)
Other income		(1)	(2)
Total income		**(55,650)**	**(51,800)**
Benefits	10	50,214	40,770
Payments to and on account of leavers	10	6,174	5,859
Other Payments		144	44
Administrative expenses	9	949	898
Total expenditure		**57,481**	**47,571**
Net addition from dealing with members of the fund		**1,831**	**(4,229)**
Investment income	11	(17,249)	(15,782)
Profit and losses on disposal of investments and changes in market value of investments	13	(17,366)	(46,170)
Taxes on income	2	91	80
Investment management expenses	12	4,425	4,988
Net returns on investments		**(30,099)**	**(56,884)**
Net (increase)/decrease in the net assets available for benefits during the year		**(28,268)**	**(61,113)**
Opening net assets of the scheme		(847,879)	(786,766)
Net assets of the scheme available to fund benefits at 31 March		**(876,147)**	**(847,879)**

NET ASSETS STATEMENT

	Note	2011/12 £000	2010/11 £000
Investment assets	13	863,013	828,335
Investment liabilities	13	0	(81)
Current assets	14	16,446	22,544
Current liabilities	14	(3,312)	(2,919)
Net assets of the scheme available to fund benefits at 31 March		**876,147**	**847,879**

NOTES TO THE PENSION FUND STATEMENTS

1. INTRODUCTION

1.1. The Pension Fund is a defined benefit scheme that provides benefits for former employees of the Council and other admitted organisations. The benefits provided include retirement pensions and widows' pensions, death grants and lump sum payments depending on the circumstances.

1.2. The day to day operations of the fund are financed mainly by contributions from employees and employers but the fund is also supported by a portfolio of investment assets for the longer term.

1.3. The Pension Fund Accounts provides information about the performance and position of the fund. It also summarises the transactions of the scheme and the net assets at the disposal of the Strategic Director of Finance and Corporate Services on the recommendation of the Pensions Advisory Panel.

1.4. The Pension Fund Accounts do not take account of liabilities to pay pensions and other benefits in the future (beyond 31 March 2012). Information regarding future liabilities can be found in the Actuary's statement in Note 4.

2. OPERATION AND MEMBERSHIP OF THE FUND

2.1. The Council contributed 21% of pensionable pay in 2011/12 (22% in 2010/11). A one off payment of £6.69 million was made as a special contribution for early and ill health retirements (£4.96 million in 2010/11). In addition, external bodies admitted to the Southwark Fund contributed a total of £2.75 million (£2.68 million in 2010/11).

2.2. 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. Investments are managed by the following companies: BlackRock who manage an "indexed" portfolio of global equities and fixed and index-linked gilts; Newton Investment Management who manage an unconstrained global equities portfolio; and Henderson Global Investors, who manage a property portfolio.

2.3. Irrecoverable tax on dividends for 2011/12 was £91,470 (£79,940 in 2010/11).

2.4. The overall investment strategy is the responsibility of the Council. This responsibility is delegated to the Strategic Director of Finance and Corporate Services, taking account of the advice of the Pensions Advisory Panel.

2.5. At 31 March 2012 the membership of the Fund was as follows:

	2011/12	2010/11
Number of contributors to the Fund	6,046	6,272
Number of contributors and dependants receiving allowances	6,518	6,310
Number of contributors who have deferred their pensions	6,971	6,697

2.6. Other organisations participating in the Pension Fund comprise:

- The following admitted bodies:
  - Borough Market (ceased active contributors 1 January 2011)
  - Southwark Law Centre
  - Fusion
  - Odyssey
  - Centre for Literacy in Primary Education
  - South London Gallery
  - Shaftesbury Homes (ceased 1 November.2010)
  - APCOA
  - Charter Security
  - Chequers (ceased 26 April 2011)

- Together (formerly Castle Day Centre)
- HATS (formerly Olympic South)
- Morrison
- Veolia
- Camden Society
- Leather Market
- RSM Tenon
- RM Education (ceased 31 May 2011)
- Balfour Beatty
- Blenheim CDP (ceased 31 March 2011)

* The following scheduled bodies:
  - Academy at Peckham
  - Bacons College
  - Dulwich Hamlet Junior School Academy (from 1 April 2011)
  - Globe Academy
  - Harris Academy Bermondsey
  - Harris Girls Academy
  - Harris Boys Academy
  - Harris Primary Academy, Peckham Park (from 1 September 2011)
  - Kingsdale Foundation School
  - Redriff Primary Academy (from 1 November 2011)
  - St Michael's & All Angels CE Academy
  - The Charter School Educational Trust
  - Walworth Academy

3. MANAGEMENT AND INVESTMENT OF FUNDS REGULATIONS

3.1. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 deal with the choice of investment managers, terms of their appointment, review of their performance, and the 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.

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

3.3. In addition the Council 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.

3.4. In carrying out all the above functions, the Council 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/her ability in, and practical experience of, financial matters (including any suitable officer of theirs).

4. ACTUARIAL POSITION OF THE FUND

Introduction

4.1. The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the London Borough of Southwark Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2010 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

4.2. The following section on the Actuarial Position of the fund, paragraphs 4.3 – 4.13, has been prepared by the actuary for the sole use of Southwark Council, and should not be relied on by any other party. The statements should not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Actuarial Position

4.3. Rates of contributions paid by the participating employers during 2010/11 were based on the previous actuarial valuation which was carried out as at 31 March 2007.

4.4. The valuation as at 31 March 2010 showed that the funding ratio of the Fund had decreased from 82% at the previous valuation with the market value of the Fund's assets (of £789.3 million) covering 78% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

4.5. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2011 is:

- 13.6% of pensionable pay p.a. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
  plus
- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2011, amounting to £8.5 million in 2011/12, £10.6 million in 2012/13, £12.8 million in 2013/14, and increasing by 5.3% p.a. thereafter.

4.6. This would imply an average employer contribution rate of about 20.5% of pensionable pay in total, if the membership remains broadly stable and pay increases are in line with the rate assumed at the valuation of 5.3% p.a.

4.7. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

4.8. The rates of contributions payable by each participating Employer over the period 1 April 2011 to 31 March 2014 are set out in a certificate dated 30 March 2011 which is appended to the actuary's report of the same date on the actuarial valuation.

4.9. The contribution rates were calculated taking account of the Fund's funding strategy as described in the Funding Strategy Statement, and for the majority of Employers using the projected unit actuarial method.

4.10. The main actuarial assumptions were as follows:

Discount rate for periods in service Scheduled Bodies Admitted Bodies	 7.0% p.a. 6.25% p.a.
Discount rate for periods after leaving service Scheduled Bodies Admitted Bodies	 7.0% p.a. 4.75% p.a.
Rate of pay increases:	5.3% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.3% p.a.

4.11. The assets were valued at market value. Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

4.12. Annual reviews to monitor the level of ill-health retirements are carried out in respect of participating Employers and, where appropriate, Employer contribution rates may be increased. No such reviews have been completed since the 2010 valuation of the Fund.

4.13. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2013.

Actuarial Present Value of Promised Retirement Benefits

4.14. IAS 26 (retirement benefit plans) requires the 'actuarial present value of promised retirement benefits' to be disclosed in the Pension Fund Accounts using the most recent actuarial valuation. The fund was last valued as at 31 March 2010.

	Value as at 31 March 2010 £m	Value as at 31 March 2007 £m
Fair value of net assets	786.8	754.4
Actuarial present value of promised retirement benefits	(1,399.0)	(1,084.5)
Surplus/(deficit) in the fund as measured for IAS26	**(612.2)**	**(330.1)**

5. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension fund liability

5.1. The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 4. This estimate is subject to significant variances based on changes to underlying assumptions.

5.2. CIPFA has recently indicated that it believes IAS26 figures should be recalculated annually although no formal guidance relating to this point has been issued. Having taken advice from Aon Hewitt (the actuarial advisors), the Council's view is that it is reasonable to rely on the triennial production of IAS26 figures only. The Council has not moved away from the approach adopted for 2010/11, and has not requested an IAS26 disclosure as at 31 March 2012. However, Aon Hewitt has estimated the IAS26 liability for the Fund at 31 March 2012 would be of the order of £1.50bn based on market conditions at 31 March 2012 compared to the £1.399bn calculated as at 31 March 2010.

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

6.1. The Statements contain estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. This applies particularly to the estimation of the net liability to pay pensions, which depends upon a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Council's actuaries are engaged to provide the Fund with expert advice about the assumptions to be applied. The actuarial position is set out in Note 4 and the critical judgements applied are explained in Note 5.

7. EVENTS AFTER THE BALANCE SHEET DATE

7.1. In November 2010, the Pension Fund terminated its investment management agreement with Alliance Bernstein and the assets were transferred to BlackRock, which are being held in a warehouse portfolio as a temporary arrangement. Legal and General Investment Management and BlackRock were appointed on 31 May 2012 to managed these assets, which will be transitioned in July 2012.

8. CONTRIBUTIONS

8.1. Contributions represent the total amount receivable from employees and employers of the scheme. Contributions to the fund are analysed as follows:

	Employees £000	Employers £000	2011/12 Total £000	Employees £000	Employers £000	2010/11 Total £000
Southwark Council	9,340	34,880	44,220	9,900	31,990	41,890
Admitted bodies	430	1,445	1,875	556	1,686	2,242
Scheduled bodies	531	1,304	1,835	289	998	1,287
Total Contributions	**10,301**	**37,629**	**47,930**	**10,745**	**34,674**	**45,419**

8.2. Contributions receivable from employers are shown below:

	2011/12 £000	2010/11 £000
Normal	20,603	23,971
Early retirement strain	6,822	5,315
Deficit funding	10,386	5,206
Augmentations	(182)	182
Total contributions from employers	37,629	34,674
Contributions from employees	10,301	10,745
Total Contributions	**47,930**	**45,419**

8.3. In 2010/11, pension augmentations of £182,000 were received in error by the Fund from the Council and are shown in the Note above as being due to the Council in 2011/12.

8.4. During 2011/12 employees made Additional Voluntary Contributions (AVCs) of £123,742 (£143,709 2010/11). 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. AVCs are not included in the Pension Fund Accounts in accordance with the Pension Scheme (Management and Investment of Funds) Regulations 2009, section 4(2)(b). At the time of preparing the accounts, Scottish Equitable was unable to provide a valuation certificate for 2011/12. The value of the AVCs at 31 March 2011 was £1.360 million.

9. ADMINISTRATIVE EXPENSES

9.1. Administrative expenses to the fund are analysed as follows:

	2011/12 £000	2010/11 £000
Southwark Council recharges	917	867
Audit fees	32	31
Total administrative expenses	**949**	**898**

10. BENEFITS

10.1. The total below shows the total benefits payable for 2010/11 grouped by entities:

	Pensions	Lump sums	2011/12 Total	Pensions	Lump sums	2010/11 Total
	£000	£000	£000	£000	£000	£000
Southwark Council	34,950	13,640	48,590	30,289	8,987	39,276
Admitted bodies	827	610	1,437	627	624	1,251
Scheduled bodies	80	107	187	48	195	243
Total benefits	**35,857**	**14,357**	**50,214**	**30,964**	**9,806**	**40,770**

10.2. The table below shows the types of benefit payable.

	2011/12 £000	2010/11 £000
Pensions	35,857	30,964
Commutation of pensions and lump sum retirement benefits	13,004	8,219
Lump sums – death benefits	1,353	1,587
Total benefits payable	**50,214**	**40,770**

10.3. Payments to and on account of leavers are classified as follows:

	2011/12 £000	2010/11 £000
Refund of contributions	8	1
State Scheme Premiums	0	7
Individual transfers out to other schemes	6,166	5,851
Total payments	**6,174**	**5,859**

11. INVESTMENT INCOME

11.1. A break-down of the investment income shown in the accounts is as follows

	2011/12 £000	2010/11 £000
Dividends from equities	8,369	7,418
Income from pooled investment vehicles	2,626	2,969
Net rent from properties	6,117	5,167
Interest on cash deposits	64	80
Other income	73	148
Total investment income	**17,249**	**15,782**

11.2. £57,712 included in other income represents income received from stock lending (£86,000 in 2010/11).

12. INVESTMENT EXPENSES

12.1. A break-down of the investment expenses shown in the accounts is as follows

	2011/12 £000	2010/11 £000
Management fees	4,159	4,681
Custody fees	43	100
Performance monitoring service	31	33
Actuarial fees	192	168
Other	0	6
Total investment expenses	**4,425**	**4,988**

13. INVESTMENT ASSETS

13.1. Investment assets shown in the net asset statement are analysed below:

2011/12	Total 31/3/12 £000	Analysed by Quoted (UK) £000	Quoted (Overseas) £000	Unquoted (UK) £000	Unquoted (Overseas) £000
Fixed Interest Securities – Public Sector	26,794	23,602	3,192		
Fixed Interest Securities – Other	101,010	101,010			
Equities	341,632	21,342	320,290		
Index linked securities	73,541	73,541			
Managed Funds – Property (Freehold)	74,480			74,480	
Managed Funds – Property (Leasehold)	9,670			9,670	
Unit Trusts – Property	46,224	46,224			
Unitised insurance policies	184,694	24,010	160,684		
Derivatives Forward Currency	88				88
Cash Deposits	4,880			4,880	
Total investment assets	**863,013**	**289,729**	**484,166**	**89,030**	**88**
Investment Liabilities: Derivatives Forward Currency	0				
Net Investment Assets	**863,013**	**289,729**	**484,166**	**89,030**	**88**

2010/11	Total		Analysed by		
		Quoted	Quoted	Unquoted	Unquoted
	31/3/11	(UK)	(Overseas)	(UK)	(Overseas)
	£000	£000	£000	£000	£000
Fixed Interest Securities – Public Sector	23,453	23,453			
Fixed Interest Securities – Other	92,924	92,924			
Equities	328,148	21,928	306,220		
Index linked securities	70,368	70,368			
Managed Funds – Property (Freehold)	57,665			57,665	
Managed Funds – Property (Leasehold)	6,500			6,500	
Unit Trusts – Property	56,234	37,527	18,707		
Unitised insurance policies	188,892	23,608	165,284		
Cash Deposits	4,151			4,151	
Total investment assets	**828,335**	**269,808**	**490,211**	**68,316**	**0**
Investment Liabilities:					
Derivatives Forward Currency	(81)				(81)
Net Investment Assets	**828,254**	**269,808**	**490,211**	**68,316**	**(81)**

13.2. In 2011/12, the Council reviewed the basis on which it assessed investments as being UK or Overseas and has adopted the country of risk as being the determining factor, or scope and intent where this is not possible (such as for unitised insurance policies). As a result, the cash deposits balance for 2010/11 has been restated as "UK"; previously it was disclosed as "overseas"

Reconciliation of movements in investments

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

	Value at 31/3/11	Purchases	Sales	Change in market value	Cash movement	Value at 31/3/12
	£000	£000	£000	£000	£000	£000
Fixed Interest:						
UK public sector	23,453	7,899	(12,165)	4,415	0	23,602
UK quoted	92,924	0	(150)	8,236	0	101,010
UK Equities	21,928	4,244	(4,350)	(480)	0	21,342
Overseas public sector	0	12,863	(9,596)	(75)	0	3,192
Overseas Equities	306,220	49,690	(40,989)	5,369	0	320,290
Index linked Securities	70,368	7,130	(16,900)	12,943	0	73,541
Managed Funds:						
Property (freehold)	57,665	16,600	0	215	0	74,480
Property (leasehold)	6,500	3,520	0	(350)	0	9,670
Unit Trusts - Property	56,234	20	(9,845)	(185)	0	46,224
Unitised insurance policies	188,892	12,615	(3,650)	(13,163)	0	184,694
Derivatives:						
Forward currency	(81)	585	(827)	411	0	88
Cash Deposits	4,151	1,828	(1,788)	30	659	4,880
Total Net Investment Assets	**828,254**	**116,994**	**(100,260)**	**17,366**	**659**	**863,013**
Cash held at managers	10,705				(3,476)	7,229
Investment Debtors	1,431				33	1,464
Total Net Investments	**840,390**	**116,994**	**(100,260)**	**17,366**	**(2,784)**	**871,706**

	Value at 31/3/10 £000	Purchases £000	Sales £000	Change in market value £000	Cash movement £000	Value at 31/3/11 £000
Fixed Interest:						
UK public sector	20,080	2,975	(4,000)	4,398	0	23,453
UK quoted	86,745	1,605	0	4,574	0	92,924
UK Equities	28,398	15,867	(21,669)	(668)	0	21,928
Overseas Equities	296,653	177,183	(188,847)	21,231	0	306,220
Index linked Securities	61,608	11,500	(4,000)	1,260	0	70,368
Managed Funds:						
Property (freehold)	54,655	3,540	0	(530)	0	57,665
Property (leasehold)	7,200	0	0	(700)	0	6,500
Unit Trusts - Property	57,905	418	(5,832)	3,743	0	56,234
Unitised insurance policies	157,367	26,282	(7,697)	12,940	0	188,892
Derivatives:						
Forward currency	(15)	1,680	(1,668)	(78)	0	(81)
Cash Deposits	4,230	0	0	0	(79)	4,151
Total Net Investment Assets	**774,826**	**241,050**	**(233,713)**	**46,170**	**(79)**	**828,254**
Cash held at managers	5,623	0	0	0	5,082	10,705
Investment Debtors	529	0	0	0	902	1,431
Total Net Investments	**780,978**	**241,050**	**(233,713)**	**46,170**	**5,905**	**840,390**

13.4. Investments exceeding 5% within each class of security are as follows:

Asset Class Security Description	**Fund Manager** Account Name	**Value at 31/3/2012**	**% within asset class**
Fixed interest			
Aquila Life corporate bond index all stock series 1	BlackRock	101,009	79%
Aquila Life over 15 year UK gilt index series 1	BlackRock	23,602	18%
		124,611	95%
Index Linked Securities Total			
BlackRock PML Aquila Life over 5 years IL index fund series 1	BlackRock	73,541	100%
Managed Funds			
190-208 Ingram Street, Glasgow	Henderson	9,650	11%
Hope House, 45 Great Peter Street, London	Henderson	8,650	10%
11/77 Castle St and 10/18 Castle Meadow, Norwich	Henderson	5,975	7%
9/11 High Street, Winchester	Henderson	5,950	7%
Cathedral Park, Belmont industrial estate, Durham	Henderson	5,000	6%
Units 1, 2, 4 & 7 Edinburgh Interchange, Newbridge	Henderson	4,675	6%
Bennet Court, Reading	Henderson	4,600	5%
Unit 2, Rhosili Road, Northampton	Henderson	4,400	5%
Quay Point, Cosham, Southampton	Henderson	4,250	5%
		53,150	63%
Unit Trusts Property			
Henderson UK retail warehouse fund	Henderson	13,322	29%
Henderson central London office fund	Henderson	9,922	21%
RREEF UK industrial property fund	Henderson	6,581	14%
Henderson UK shopping centre fund	Henderson	5,169	11%
Henderson indirect property fund (Europe)	Henderson	4,659	10%
Aberdeen eurozone fund of funds	Henderson	4,254	9%
Hercules unit trust	Henderson	2,316	5%
		46,224	100%
Unitised Insurance policies			
Aquila Life European equity index series 1	BlackRock	44,652	24%
Aquila Life emerging markets fund inc	BlackRock	33,542	18%
Aquila Life UK equity index fund series 1	BlackRock	23,067	12%
BlackRock emerging markets index fund	BackRock (warehouse)	22,616	12%
Aquila Life Japanese equity index fund series 1	BlackRock	21,166	11%
Aquila Life pacific rim equity index series 1	BlackRock	20,249	11%
		165,291	89%
Cash deposits			
Liquidity fund cash deposit	Henderson	4,810	99%

Asset Class	**Fund Manager**	**Value at 31/3/2011 £000**	**% within asset class**
Fixed interest securities			
Aquila Life corporate bond index all stock series 1	BlackRock	92,551	80%
Aquila Life over 15 year UK gilt index series 1	BlackRock	23,342	20%
Index linked securities			
BlackRock PML Aquila Life Over 5 Years IL Index Fund Series 1	BlackRock	70,302	100%
Managed funds (property)			
190-208 Ingram Street , Glasgow	Henderson	9,130	14%
Hope House, 45 Great Peter Street, London	Henderson	7,730	12%
Cathedral Park, Belmont Industrial Est., Durham	Henderson	5,100	8%
Bennet Court, Reading	Henderson	4,350	7%
Quay Point, Cosham, Southampton	Henderson	4,350	7%
Unit 2 Rhosili Road, Northampton	Henderson	4,050	6%
Rossalind House, Basingstoke	Henderson	4,000	6%
Great Weston Trade Park, Weston Super Mare	Henderson	3,600	6%
Cumbernauld Business Park, Cumbernauld	Henderson	3,500	5%
15 - 17 Northgate Street, Chester	Henderson	3,425	5%
The Courtyard, Montpellier Street, Cheltenham	Henderson	3,380	5%
Units H2, H3 & H4 Premier Bus Park, Elland	Henderson	3,300	5%
Unit trusts			
Aquila Life European Equity Index Series 1	BlackRock	50,346	21%
Aquila Life Emerging Markets Fund Inc	BlackRock	37,801	15%
BlackRock Emerging Markets Index Fund	BlackRock (warehouse)	24,714	10%
Aquila Life UK Equity Index Fund Series	BlackRock	22,737	9%
Aquila Life Pacific Rim Equity Index Series	BlackRock	21,327	9%
Aquila Life Japanese Equity Index Fund Series 1	BlackRock	21,002	9%
Henderson Indirect Property Fund (Europe)	Henderson	13,997	6%
Henderson Property Fund (UK Property)	Henderson	12,976	5%

13.5. The market value of assets (including cash and accruals) managed by the investment managers at the balance sheet date has been set out in the table below.

Fund Manager	Market value of fund at 31/3/12	% market value held at 31/3/12	Market value of fund at 31/3/11	% market value held at 31/3/11
	£million	%	£million	%
BlackRock	495.22	56.81	468.07	55.70
BlackRock (warehouse)	162.96	18.70	163.09	19.41
Alliance Bernstein (Growth)	0.01	0.00	0.02	0.00
Alliance Bernstein (Value)	0.03	0.00	0.02	0.00
Newton Investment Management	75.76	8.69	77.06	9.17
Henderson Global Investors	137.73	15.80	132.13	15.72
Total	**871.71**	**100.00**	**840.39**	**100.00**

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

13.7. Deposits of £4.810 million are held by Henderson Global Investors (£4.151 million at 31 March 2011). Henderson's strategy is to continue to look for the right opportunity within the property market to invest in, thereby reducing cash holdings in the long term. Cash held at other managers are holdings pending the reinvestment of other crystallised transactions.

13.8. The total amount of direct transaction costs on all investment types was £2.924 million (£3.024 million in 2010/11), made up of equities £0.083 million (£0.184 million in 2010/11) and property £2.841 million (£2.840 million in 2010/11).

13.9. The valuation of direct property managed by Henderson Global Investors is carried out by Knight Frank LLP, the valuer is RICS qualified and the valuation took place on 31 March 2012. All properties have been valued at market value.

13.10. Stock lending is allowed under investment agreements within statutory limits. The Fund participates in a stock lending programme, which is managed by the global custodian, JP Morgan. £2.62 million of stock was lent out as at 31 March 2012 (£1.37 million at 31 March 2011), the collateral for this is held in a combination of European government bonds and United States cash.

13.11. The Statement of Investment Principles is available has been revised and will be available on the Council's website shortly along with the annual report for 2011/12. In the interim an electronic copy can be obtained by email from Dave.Howes@southwark.gov.uk or on request from the Strategic Director of Finance and Corporate Services, Southwark Council, Finance and Resources, 2nd floor Hub 1, PO Box 64529, London SE1P 5LX.

14. CURRENT ASSETS AND LIABILITIES

14.1. The current assets of the fund are analysed as follows:

	2011/12 £000	2010/11 £000
Contribution due from employers	2,196	4,432
Payments in advance	0	738
Other current assets	1,500	2,430
Cash at managers	7,229	10,705
Cash and bank	5,521	4,239
Total	**16,446**	**22,544**

14.2. The amount of current liabilities at 31 March 2012 was £3.312 million (£2.919 million at 31 March 2011). There were no unpaid benefits at the end of the period and the current liabilities comprise mainly amounts owed to LB Southwark for support services (£867,000 Note 9) and pension augmentations received in error (£182,000 Note 8.3), professional fees (£656,000) and taxes (£375,000).

15. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

15.1. Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. They are carried in the net assets statement at fair value and are analysed as follows:

	2011/12 £000	2010/11 £000
Financial assets		
Loans and receivables	16,446	22,544
Financial assets at fair value through profit or loss	863,013	828,335
Financial liabilities		
Financial liabilities at amortised cost	(3,312)	(2,919)
Financial liabilities at fair value through profit or loss	0	(81)
Total	**876,147**	**847,879**

15.2. The Pension Fund's activities in relation to financial instruments expose it to a variety of financial risks. These risks and how they are managed are set out in Notes below.

Credit Risk

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

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

Liquidity Risk

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

15.6. The Fund currently has two bank accounts. One is held by the Global Custodian and holds cash relating to investment activities, the other is the Pension Fund Bank Account which holds the cash relating to member activities.

15.7. There is a strategy in place to ensure that if the Fund found itself in a position where it did not have the funds available to meet its commitments, alternative moneys could be drawn down. Funds could be called back from investment managers within a short period of time. Periodic cash flow forecasts are prepared to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

Market Risk

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

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

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

Price Risk – Sensitivity Analysis

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

15.12. The fund is exposed to share price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of a loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

15.13. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Price Risk – Sensitivity Analysis

15.14. Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisers, the council has determined that the following movements in market price risk are reasonably possible for the 2012/13 reporting period:

2011/12 Asset Type	Value £000	% Change	Value on Increase £000	Value on Decrease £000
Total Equity	529,518	14.90%	608,416	450,620
UK Govt Bonds	23602	10.60%	26,104	21,100
UK Corp Bonds	101,010	5.10%	106,162	95,858
UK Index Linked	73,541	7.60%	79,130	67,952
Property	130,374	7.00%	139,500	121,248
Cash	12,109	0.00%	12,109	12,109
Forward Currency	88	0.00%	88	88
Investment Debtors	1,464	0.00%	1,464	1,464
Total Assets	**871,706**		**972,973**	**770,439**

2010/11 Asset Type	Value £000	% Change	Value on Increase £000	Value on Decrease £000
Total Equity	517,040	14.90%	594,079	440,001
UK Govt Bonds	23453	10.60%	25,939	20,967
UK Corp Bonds	92,924	5.10%	97,663	88,185
UK Index Linked	70,368	7.60%	75,716	65,020
Property	120,399	7.00%	128,827	111,971
Cash	14,856	0.00%	14,856	14,856
Forward Currency	(81)	0.00%	(81)	(81)
Investment Debtors	1,431	0.00%	1,431	1,431
Total Assets	**840,390**		**938,430**	**742,350**

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

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

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

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

Interest Rate Risk

15.19. The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

15.20. The fund's interest rate risk is routinely monitored by the council and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

Interest Rate Sensitivity Analysis

15.21. The council recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. A 100 basis point (bps) movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

15.22. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 bps change in interest rates:

Asset type	Carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
		+100bps	-100bps
	£000	£000	£000
Cash and Cash Equivalents	4,880	49	(49)
Cash Balances	7,229	72	(72)
Fixed Interest Securities	127,804	1278	(1278)
Total change in net assets available	**139,913**	**1,399**	**(1,399)**

Asset type	Carrying amount as at 31 March 2011	Change in year in the net assets available to pay benefits	
		+100bps	-100bps
	£000	£000	£000
Cash and Cash Equivalents	4,151	42	(42)
Cash Balances	10,705	107	(107)
Fixed Interest Securities	116,377	1,164	(1,164)
Total change in net assets available	**131,233**	**1,313**	**(1,313)**

Currency Risk

15.23. Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the fund (£ Sterling). The fund holds both monetary and non-monetary assets denominated in currencies other than £ Sterling.

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

Currency Risk – Sensitivity Analysis

15.25. Following analysis of historical data in consultation with the fund investment advisers, the council considers the likely volatility associated with foreign exchange rate movements to be 9.9%.

15.26. A 9.9% fluctuation in the currency is considered reasonable based on the fund adviser's analysis of long term historical movements in the month-end exchange rates over a rolling 36-month period.

15.27. This analysis assumes that all other variables, in particular interest rates, remain constant.

15.28. A 9.9% strengthening/weakening of the pound against the various currencies in the which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency Exposure - Asset Type	Asset Value as at 31 March 2012	Change to Net Assets Available to Pay benefits	
		+9.9%	-9.9%
	£000	£000	£000
Overseas Equities	319,735	351,389	288,082
Overseas Public Sector	3,192	3,508	2,876
Total Change in Assets Available	**322,927**	**354,897**	**290,958**

Currency Exposure - Asset Type	Asset Value as at 31 March 2011	Change to Net Assets Available to Pay benefits	
		+9.9%	-9.9%
	£000	£000	£000
Overseas Equities	306,220	336,536	275,905
Overseas Public Sector	0	0	0
Total Change in Assets Available	**306,220**	**336,536**	**275,905**

16. RELATED PARTY TRANSACTIONS

16.1. The Pension Fund 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.

16.2. Through its administration of the Fund, the Council has a related party interest with the Pension Fund, and the costs charged by the Council are disclosed in Note 9.

16.3. Management of the Pension Fund is the responsibility of the Council's Strategic Director of Finance and Corporate Services. No officers' remuneration is paid directly by the Fund; costs are instead recovered as part of the costs disclosed in Note 9. The Strategic Director of Finance and Corporate Services' remuneration is disclosed in Note 36 of the Council's Statement of Accounts.

16.4. There were no related party transactions other than those disclosed elsewhere in the accounts.

17. CONTINGENT ASSETS AND LIABILITIES

17.1. There are no contingent asset or liabilities.

PENSION FUND ACCOUNTING POLICIES

1. Basis of preparation

1.1. The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12*, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

1.2. The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 47 of the main accounts, from page 74.

2. Summary of significant accounting policies

Fund account – contributions income

2.1. Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

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

Fund account – transfers to and from other schemes

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

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

Fund account – investment income

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

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

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

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

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

Fund account – benefits payable

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

Fund account – taxation

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

Fund account – administrative expenses

2.12. All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Management, accommodation and other overheads are apportioned to the fund in accordance with council policy.

Fund account – investment management expenses

2.13. All investment management expenses are accounted for on an accruals basis. Fees for the fund managers and custodian are agreed in the respective mandates governing their appointments and are based broadly on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Net assets statement – financial assets

2.14. Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the fund. The values of investments as shown in the net assets statement have been determined as follows:

- Equity investments, unit trusts and unitised insurance policies at their market bid price on 31 March 2012.
- Foreign currency transactions have been brought into the accounts at the exchange rate that was in force when the transaction took place.
- End of year balances on foreign currency transactions have been translated at the exchange rate on 31 March 2012.
- Property assets have been included in the accounts at market value as at 31 March 2012. The valuation of direct property managed by Henderson Global Investors is carried out by Knight Frank LLP, the valuer is RICS qualified and the valuation took place on 31 March 2012.
- Investment assets have been valued and included in the accounts at bid price, except for direct property (freehold and leasehold) which have been valued at market value and derivative contracts which are valued on the basis of unrealised gains and losses.
- Property unit trusts have been included at net asset price except for Aberdeen Eurozone Fund of Funds which was valued using the 29 February 2012 price.

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

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

2.17. The cost of acquisitions of investment assets including property is treated as revenue expenditure.

2.18. There are no restrictions affecting the ability of the scheme to realise its assets as at 31 March 2012 at the values quoted, which have been verified by the Council's custodian, JP Morgan.

Net assets statement – financial liabilities

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

Actuarial Present Value of Promised Retirement Benefits

2.20. The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note in the net assets statement (Note 4).

Additional voluntary contributions

2.21. The fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Scottish Equitable as its AVC provider. In accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093), AVCs are not included in the accounts but are disclosed as a note only (Note 8.4 to the Pension Fund Accounts).

GLOSSARY

ACCOUNTING STANDARDS
These are the 'proper accounting practices' that the Council must follow. They comprise laws and regulations, which are set out in Acts of Parliament and in codes of practice recommended by professional bodies (e.g. the Best Value Accounting Code of Practice). These standards ensure that all organisations within a particular sector report their financial performance the same way, which enables the financial performance to be compared with other organisations.

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

ACTUARY
A person who assesses risks and costs, in particular those relating to investments and insurance.

AMORTISATION
The writing off of a loan or other balance to the Income and Expenditure Account over a period of time.

ASSET
An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

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

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 National Non Domestic Rates.

CAPITAL ADJUSTMENT ACCOUNT
A new account required from 2008/09 to reflect movements in valuations and financing transactions of the Council's fixed assets, arising from disposals, acquisitions, revaluations and impairments.

CAPITAL CHARGES
Depreciation charges made to service department revenue accounts, based on the value of the assets used by the service.

CAPITAL EXPENDITURE
Expenditure on assets that has a lasting value, generating benefits for many years. For example land, buildings and large items of equipment such as computers or vehicles.

CAPITALISATION
Certain items of revenue expenditure may be deemed to be of a "capital nature" and are therefore transferred to the capital accounts to be funded from capital receipts or borrowing. This normally applies to such items as salaries of staff directly working on bringing assets into being.

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.

CIPFA (CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY)
This is the main professional body for local government accountants and produces standards and codes of practice that must be followed in preparing the Council's financial statements.

CIPFA/LASAAC
The joint committee of CIPFA and the Local Authority Scotland Accounts Advisory Committee, who together are responsible for producing the Code.

CODE
The Code of Practice on Local Authority Accounting the United Kingdom 2010/11. Issued annually by CIPFA, this is a code of proper accounting practice with which local authorities in England and Wales must comply in preparing their financial statements; in particular it provides guidance on differences from Generally Accepted Accounting Practice as a result of the Government's legislative requirements.

COLLECTION FUND
This is a statutory account, which records income and expenditure on Council Tax, National 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 ASSET
A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's accounts.

CONTINGENT LIABILITY
- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

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

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.

CURRENT SERVICE COST (PENSIONS)
The increase in value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

CURTAILMENT
For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:
- Termination of employees' services earlier than expected, for example, as a restructuring of operations
- Termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DCLG
Department for Communities and Local Government

DEBTORS
Organisations and individuals who owe money to the Council.

DEFRA
Department of Environment, Food and Rural Affairs

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

DSO (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. This is a unit operating within the council on a quasi-contractual footing, which provides services won in competition with private sector firms.

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

FINANCE LEASES
These are financing arrangements with a third party. A finance lease transfers substantially all of the risks and rewards of ownership to the lessee. It is often a lease 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).

FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT (FIAA)
A new account required from 2008/09 to reflect movements in assets and liabilities measured at fair value, where the movement in fair value is taken to the Income and Expenditure Account but cannot be charged to Council Tax.

FINANCIAL YEAR
The period of activity represented in the annual financial statements. For local authorities, the financial year is 1 April to 31 March.

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 tax payers and government grants.

HISTORIC COST
The actual amount of money originally paid for a particular item as opposed to its current value.

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

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.

IAS
See International Financial Reporting Standards

IFRS
See International Financial Reporting Standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
From 2010/11 local authorities are required to present their Accounts in a form consistent with IFRS as set out by the Code. IFRS is a set of accounting standards that are used consistently internationally and by organisations within the UK, that allow readers of the Accounts ease of use in comparing one set of accounts with another. IFRS is made up of set of numbered standards referenced, for example International Accounting Standard 19 (IAS 19) (Employee benefits) or International Financial Reporting Standard 5 (IFRS 5) (Non-current assets held for sale)

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

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

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

INVESTMENT PROPERTIES
Interest in land and/or buildings, which are held for their investment potential or rental income.

LIABILITY
A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A long term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

MEMORANDUM ACCOUNT
An account that is not part of the council's formal statutory accounts and is included in the statement for added information.

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.

MRA
Major Repairs Allowance

MRR
Major Repairs Reserve

NATIONAL NON DOMESTIC RATES (NNDR)
Another name for business rates. NNDR are collected by each council and paid into a central pool managed by the government. The government, in turn, pays back to each council their share of the pool at a standard rate per head of the local adult population.

NET EXPENDITURE
Gross expenditure less specific service income but before deduction of Revenue Support Grant and local taxation.

NON DISTRIBUTED COSTS
These include overheads from which no user now benefits and which should not be apportioned to services. Examples include spare computer capacity and empty offices. These also include pension costs in relation to scheme members' past service.

OPERATING LEASES
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.

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

OUTTURN
The actual level of income and expenditure for the year.

PFI
Private Finance Initiative. This is a mechanism for public bodies to procure capital projects without borrowing. Under PFI schemes, the public body buys the services of a private company or consortium to design, build, finance and operate a public facility. The private sector consortium borrows the money for the scheme and the public body pays an annual fee to the consortium under a long term operating contract for the services.

PP&E
See Property, Plant and Equipment

PRECEPT
A levy made by those authorities that do not collect local taxation themselves but require other bodies to collect the required income from local tax payers on their behalf. In London, the precepting body is the Greater London Authority (GLA).

PROPERTY, PLANT AND EQUIPMENT
Assets which provide a benefit to the council and the services it provides for more than one year.

PROVISIONS
Amounts set aside for liabilities and losses which are likely to occur but where the exact amount or timing is 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 offset the expenditure liability when it arises.

PWLB
The Public Works Loan Board, a central government agency, which is used to fund local government borrowing.

RECHARGES
The transfer of costs from one account to another.

REFCUS
See Revenue Expenditure Funded from Capital Under Statute

RESERVES
Amounts set aside to meet future costs. 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 EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)
Expenditure that is not related to fixed assets but statutory regulations allow the cost to be funded from capital resources. The expenditure is recorded in the Income and Expenditure Account as it arises.

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.

REVALUATION RESERVE
A new account required from 2008/09, to account for the changes in value of the Council's assets.

SECTION 31 AGREEMENT
A partnership agreement, made under section 31 of the Health Act 1999, between a local authority and an NHS body to jointly provide certain functions of the NHS body and certain health related functions of the local authority, using a pooled funding arrangement.

SECTION 106 FUNDING
Payments received from developers to compensate for additional infrastructure costs required as a result of a new development.

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

SUPPORTED BORROWING
Borrowing supported by central government grant towards the financing costs, mainly through HRA subsidy or Revenue Support Grant.

WHOLE OF GOVERNMENT ACCOUNTING
Whole of Government Accounts (WGA) are full accruals based accounts covering the whole public sector. This requires all public sector bodies to compile and report their accounts in a consistent manner to enable consolidation in WGA.