Lambeth

2007/2008

Statement of Accounts

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FOREWORD TO THE ACCOUNTS

This foreword provides a guide to the Council's accounts for the year ending 31 March 2008. The Accounts and Audit Regulations 2003 require the Statement of Accounts to be approved by 30 June 2008. The accounts are set out on pages 7 to 67.

This section consists of a technical explanation of accounting conventions used in the Statements followed by a practical description of the main conclusions to be drawn from the accounts.

The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- All relevant Financial Reporting Standards (FRS) issued by the Accounting Standards Board (ASB - a constituent board of the Financial Reporting Council)
- The Code of Practice on Local Authority Accounting in the UK 2007 (the Statement of Recommended Practice or SORP issued by the CIPFA/LASAAC Joint Committee, a body recognised by the ASB for the purpose of issuing SORPs)
- The Best Value Accounting Code of Practice 2007 (BVACOP issued by CIPFA) that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition

The Statement of Accounts comprises:

The Statement of Responsibilities for the Statement of Accounts: This sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. This statement also carries the certification of the Chief Finance Officer.

The Annual Governance Statement: This statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed. This is signed by the Chief Executive and the Leader of the Council. This is not part of the accounts but is required to be shown alongside them.

Statement of Accounting Policies: This is a listing of the accounting policies followed in the production of the Council's accounts.

Income and expenditure Account: This statement is fundamental to the understanding of a local authority's activities. It summarises the costs for the year of all the functions for which the Council is responsible and demonstrates how the cost has been financed from general government grants and income from local taxpayers.

Statement on the Movement on the General Fund Balance: The Income and Expenditure Account discloses the income receivable and expenditure incurred from running services for the year. However, there are other items that are required to be charged or credited to the General Fund that are not shown in the Income and Expenditure Account that have to be taken into account in determining the Council's budget requirement and its Council Tax demand. These other items are shown in the Statement on the Movement on the General Fund Balance. The surplus or deficit on the Income and Expenditure Account reflects the Council's financial results for the year in accordance with generally accepted accounting practice, and the movement on the General Fund Balance is important as an aspect of the Council's stewardship of its funds.

Statement of Total Recognised Gains and Losses: Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account, for example gains on revaluation of fixed assets and pension actuarial gains. This memorandum statement brings together all such gains and losses.

Balance Sheet: The Balance Sheet shows the financial position of the Council as at the 31 March 2008. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net assets employed in its operations, together with summarised information on the assets held.

Cash Flow Statement: This statement brings together the total movements of the Council's assets and liabilities during the financial year, and inflows and outflows of cash arising from both revenue and capital transactions with third parties.

Notes to the Primary Statements of the Accounts: The various accounts and statements are supported by detailed notes to help the reader.

Housing Revenue Account (HRA) - Income and Expenditure Account and the Statement of Movement on the HRA Balance: The Council is required by law to account separately for the provision of council housing. This account shows the major elements of housing revenue expenditure; repairs and maintenance, administration and capital and financing costs and how the expenditure is financed from rents, grants and other income. As with the Income and Expenditure Account this account is supported by the Statement of Movement on the HRA Balance.

Collection Fund: There is a statutory requirement for local authorities that issue Council Tax bills (billing authorities) to maintain a separate fund to show the transactions in respect of council tax and non-domestic rates and the way in which these have been distributed to precepting authorities.

Pension Fund: Pension Revenue Account and Notes**.** There is a statutory requirement for local authorities to maintain a separate fund to show the transactions in respect of pension contributions, investments and payment of benefits.

Glossary: This provides a guide to some of the technical terms used in this document.

Main changes to the 2007/08 Statement of Accounts

There have been a number of changes to the Statement of Accounts for 2007/08 compared with 2006/07. Firstly, the Fixed Asset Restatement Account and Capital Financing Account have been replaced by a Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value). The Capital Adjustment Account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the Account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Prior to 2007/08, the Fixed Asset Restatement Account (FARA) operated on the basis that any downward revaluation not attributable to the clear consumption of economic benefits could be posted to the account, without consideration as to whether there were revaluation gains (either for the particular asset or in aggregate) to absorb the write-down. However, the SORP's provisions for the Revaluation Reserve are stricter and require that a write-down for any individual asset must be fundable from revaluation gains accumulated for that particular asset. It achieves this through the requirement that any downward revaluation below depreciated historical cost has to be debited to the Income and Expenditure Account. This has meant that whereas previous capital spend not considered to add value to an asset (effectively a downward valuation) could be simply written off to FARA, the entry must be made to the net cost of services on the Income and Expenditure Account. This is a notional accounting entry which has no impact on Council Tax or Rent Payers as it is reversed out of the bottom line. However, the charge in 2007/08 of £197m does have a disproportionate impact on net cost of services which is purely due to accounting convention.

Until recently financial instruments were not covered comprehensively by UK financial reporting standards. This situation changed with the issue by the Accounting Standards Board of FRS 26 Financial Instruments: Recognition and Measurement and FRS 25 Financial Instruments: Presentation and Disclosures. More recently FRS 29 Financial Instruments: Disclosures has replaced the disclosure requirements of FRS 25 but not the presentation requirements. The 2007 SORP requirements are now based on FRS 25, FRS 26 and FRS 29.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers financial assets and financial liabilities and includes the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives. The requirement for new accounting entries and disclosure entries aims to ensure entities reflect the fair value of its transactions rather than, say, the timing of payments due to an arrangement entered into.

The council has assessed that there are no group transactions to disclose this year, but, with the proposed introduction of an Arms Length Management Organisation for the management of Council dwellings, it is recognised that this will be a requirement for the 2008/09 accounts. There is a contingent liability disclosed in the accounts for the Council's interest in the London Authority Mutual Limited, a self insurance mutual co-owned with nine other authorities, and in relation to a claim being made by a collective of Tenant Management Organisations.

Review of Fixed Asset Balances

The Council has conducted a thorough exercise to validate the data held on the fixed asset register. Existing data was checked and matched against other sources, such as Insurance, legal and NNDR records and lists were sent to services for verification of assets held. Assets that were recorded and identified as no longer owned were written out of the books and previously unrecognised assets were included. Further details can be found in note 1 to Balance Sheet.

Impact of the Capital Finance Regulations (2008)

The Council has a deficit balance within its General Fund relating to capital financing transactions dating back to at least the early 1990s due to a technical accounting item known as 'Adjustment A'. The Capital Financing Regulations 2008 became law on 31 March 2008 giving local authorities the statutory powers either not to make any revenue charges in respect of Adjustment A, or, where they have done so already, to reverse such charges. This latter situation is the one that pertains at Lambeth, where in summary a large debit was made to the General Fund with a corresponding credit to the Capital Financing Account. The legislation is clear that local authorities have the statutory power to reverse such entries in any of the years ending 31 March 2008, 2009 or 2010. The council proposes to do so in 2008/09. The 2007/08 accounts, in accordance with the powers created in the legislation, will therefore not show any entries in respect of Adjustment A. Its impact on the General Fund balance to 31 March 2008 was £23.25m.

Summary of financial performance in the year

During the financial year ended 31 March 2008 Lambeth's financial position has been further stabilised and the achievements of previous years consolidated.

- The General Fund balance as at 31 March 2008 stands at £16.7m compared with a balance of £9.2m at the start of the year.
- The Locally Managed Schools (LMS) balance as at 31 March 2008 stands at £16.5m compared with a balance of £12.5m at the start of the year.
- The Housing Revenue Account as at 31 March 2008 stands at a £0.63m deficit compared with a deficit balance of £1.96m at the start of the year.
- The Collection Fund balance as at 31 March 2008 stands at £8.4m, the same as the balance at the start of the year.
- The Pension Fund net assets balance as at 31 March 2008 stands at £702.0m compared with a balance of £727.7m at the start of the year.
- The Usable Capital Receipts Reserve as at 31 March 2008 stands at £52.2m compared to £77.5m at the start of the year.

Overall expenditure has been contained within budget for the fifth consecutive year. There was a significant overspend in the temporary accommodation budget (Regeneration and Housing) which is the subject of a formal management investigation to ascertain the causes and action to be taken. The results of this investigation are not available at the date of authorisation of these Statements, but it will be completed promptly and with due professional diligence. Other significant overspends were incurred within the Cultural Services and Strategic Transformation divisions, and in each case the relevant Divisional Directors are no longer employed by the Council.

These overspends were offset by good budget management and underspends across the Council and the A&CS, CYPS and F&R departments all came in within budget. In addition the Council was able to use its temporary cash surpluses to achieve investment returns well above the forecast level, as the impact of the 'credit crunch' favours organisations in this position. Further corporate savings were achieved by lower contributions to provisions than anticipated, and lower than anticipated redundancy costs due to strong management of reorganisations and redeployment.

The financial results for the year leave the General Fund (excluding schools) with a balance in excess of £16.7m. This is at the lower end of the recommended range of £15m – £30m. As mentioned earlier the enactment of the Capital Financing Regulations (2008) on 31 March 2008 gives the Council the power to reverse the effect of the capital financing transactions known as 'Adjustment A'. Proposals for the use of the £23.25m will be considered by Cabinet in July 2008. Accordingly, and as the regulation permits, no effect or anticipation of this is built into these Statements.

Lambeth's financial management cycle includes an assessment of all the risks facing the council at the start of the year, updated through the July review. Action plans to contain these risks are developed and implemented from an early stage, and progress against them monitored and reviewed at the most senior level every month.

On closing the 2006/07 Accounts, weaknesses were identified in the operation of the Fixed Asset Register. a review has been undertaken and the relevant accounting controls are being strengthened to meet the requirements of the SORP.

The accounts follow the prescribed CIPFA format, and as a result the consolidated revenue accounts cannot easily be related to the council's operational management structure. Accordingly a brief summary of the outturn at departmental level is set out in the table overleaf:-

Department	Cash Limited Budget		Outturn	Variance
	Original	Revised*		(Under)/Overspend
	£M	£M	£M	£M
Adult & Community Services	**84.3**	**84.1**	**82.8**	**(1.3)**
Strategy & Corporate Services	**28.1**	**28.0**	**31.1**	**3.1**
Children & Young People's Services	**80.3**	**77.6**	**74.0**	**(3.6)**
Environment, Culture & Community Safety	**45.7**	**47.5**	**48.2**	**0.7**
Finance & Resources	**17.8**	**17.8**	**16.2**	**(1.6)**
Regeneration & Housing (General Fund)	**11.2**	**11.0**	**17.4**	**6.4**
Departmental Subtotals	**267.4**	**266.0**	**269.7**	**3.7**
Special Items **	**17.0**	**18.4**	**9.0**	**(9.4)**
TOTALS	**284.4**	**284.4**	**278.7**	**(5.7)**
Housing (HRA)	**(5.2)**	**(5.2)**	**(1.7)**	**3.5**

* - Revised budgets include the effect of transfers of services resulting from the effect of reorganisation during the year as well as adjustments for central support recharges, capital charges and any budgets carried forward

** - As set out above this underspend is principally due to additional investment income arising from current market conditions and favourable positions on some corporate provisions.

The total underspend on General Fund services was 2.0% against the budget compared with an underspend of the 2.3% in 2006/07. The Housing Revenue Account overspent by £3.5m in the year, as a result not all of the planned contributions to reserves could be made but the account is almost back in balance.

The main variances from the budget are summarised below.

Adult & Community Services – The underspend principally arises from cost and demand management measures within the department, ensuring fair and equitable access to services. Access to and charging for social care remains subject to developing case law and demographic pressures and there are no firm indications that this performance against budget can be repeated in future years.

Strategy & Corporate Services – The department controlled its expenditure within core budgets. However, targets to achieve council-wide efficiency savings, which were properly built into the base budget, were not achieved in 2007/08, leading to the overspend. In most cases structured plans are now in place to deliver these cases, reducing the ongoing risk to the council.

Children & Young People's Services – Cost pressures arising from supporting unaccompanied asylum seeking children were matched very late in the year by a government grant, following a successful funding application. The department had prudently assumed that this would not be received, and hence managed to offset the forecast costs by holding vacant a large number of posts throughout the year. In addition, planned savings through in-sourcing some preventative services were over-achieved, creating an underspend that will be factored into future budgets. There was also some slippage on revenue funded support to capital programmes, which will not be a recurring saving but nevertheless contributed to the in-year underspend.

Environment, Culture & Community Safety – The department overspent by £0.7m against its revised cash-limited budget. Cost pressures in the cultural services division were offset by planned one-off savings within the public realm division. Decisions to reallocate some costs across all departments as a cost-control measure did not lead to commensurate reductions in expenditure, but had these costs not been reallocated the department would have hit its financial targets.

Finance & Resources – The department underspent its cash-limited budget by £1.6m. This arose due to late and favourable movements in the subsidy receivable for housing benefit payments, where final figures exceeded the budget estimates by less than 1%, reflecting improved accuracy of processing within the benefits service.

Regeneration & Housing General Fund – The department overspent its cash-limited budget by £6.4m. Excluding the temporary accommodation budget, which is the subject of a separate management investigation, other budgets across the department were properly controlled throughout the year and spent to targets.

Housing Revenue Account – An overspend has been forecast throughout the year. Action taken within the HRA Recovery Plan, implemented in July 2007, has ameliorated the final outturn position.

The position on capital expenditure in the year is set out below:-

CAPITAL EXPENDITURE - 2007/08			
Department	**Budget**	**Spend**	**Variance**
	£M	**£M**	**£M**
Adult & Community Services	**0.8**	**0.4**	**(0.4)**
Children & Young People's Services	**16.5**	**15.4**	**(1.1)**
Building Schools for the Future	**29.4**	**28.4**	**(1.0)**
Environment, Culture & Community Safety	**34.7**	**26.4**	**(8.3)**
Regeneration & Housing	**70.6**	**68.1**	**(2.5)**
Strategy & Corporate Services	**10.3**	**8.8**	**(1.5)**
Finance & Resources	**0.0**	**0.0**	**0.0**
TOTALS	**162.3**	**147.5**	**(14.8)**

A review is underway to assess where project slippage has occurred and whether budgets ought to be carried forward into 2008/09 or reallocated.

The ratio of current assets to liabilities has reduced slightly to approximately 2.2:1. The Council is nevertheless in a healthy position and is able to meet its liabilities as they fall due. Looking ahead the long-term liability on the pension fund remains a significant concern, with the assessed deficit now at £288m. However, a combination of increased employer's and employees' contributions and improved controls over early retirements mean that this should be made good over the next 20 years, in line with actuarial advice. It is as yet too early to assess or reliably estimate the long-term impact of the 'credit crunch' on this position.

The Council's Pension Fund net assets have decreased by some £25.7m during the year, reflecting market conditions. If the decline is in any way sustained then further contributions will be required in the future.

The collection fund achieved a break even position for the year, after a transfer to the General Fund of £1.7m and a distribution to the Greater London Authority of £0.5m. Council Tax collection performance during 2007/08 hit 93.4%.

The Housing Revenue Account generated a surplus of £1.33m and has reduced the accumulated deficit from £1.96m in March 2007 to £0.63m in March 2008. This is a direct result from the action taken within the HRA Recovery Plan, implemented in July 2007. Continued cost pressures including repairs expenditure and the need to increase the Bad Debt Provision to cover increased rent arrears have contributed to another difficult year for the HRA.

The General Fund balance has increased since 31 March 2007 and there are clear medium-term financial plans to achieve minimum balances of £30m. In summary the accounts present an authority where the prospects for further improvements are strong. The Council still faces a series of major financial risks, but is actively managing these so as to ensure that the continued drive to deliver excellent services is supported by strong and stable financial management.

Mike Suarez
Executive Director of Finance and Resources

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 151 of the Local Government Act 1972). In this authority, the Executive Director of Finance and Resources is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing this statement of accounts, the CFO has:

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

The CFO 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.

Certification of the Chief Financial Officer

I hereby certify that the statement of accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

Mike Suarez
Executive Director of Finance and Resources
Section 151 Officer
London Borough of Lambeth

Cllr Michael Hipwell
Chair – Corporate Committee

As the person presiding I hereby certify that this statement of accounts was approved by a resolution of the Corporate Committee at its meeting of 25 June 2008

Independent auditor's report to the Members of Lambeth Council

Opinion on the financial statements

I have audited the Authority's accounting statements, pension fund accounts and related notes of the Lambeth Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. The pension fund accounts comprise the Pension Fund Account, the Net Assets Statement and the related notes. The Authority accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the Members of Lambeth Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditor

The Chief Finance Officer's responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements and the pension fund present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the Authority's accounting statements, and consider whether it is consistent with the audited Authority's accounting statements. This other information comprises the Explanatory Foreword, Annual Report and the Pension Fund Annual report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority's accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority's accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority's accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2008, and the amount and disposition of the fund's assets and liabilities as at 31 March 2008,

other than liabilities to pay pensions and other benefits after the end of the scheme year.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for the Greater London Authority, the principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

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Qualified conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that the Authority:

- maintained an up-to-date asset register;

Having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, the Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008, except that it did not put in place:

- adequate arrangements for the management of its asset base.

Certificate

I have carried out the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission. However, the audit cannot be formally concluded, and an audit certificate issued until I have completed my review of a number of issues raised by electors. I am satisfied that these matters do not have a material effect on the financial statements.

Kash Pandya
District Auditor

Audit Commission
1st Floor
Millbank Tower
Millbank
London
SW1P 4HQ

23 June 2009

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

1.1 Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lambeth Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Lambeth Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.3 Lambeth Council has the culture and tone at the top to support the embedding and achievement of a robust corporate governance framework consistent with the principles of the 2007 CIPFA/SOLACE guidance "Delivering Good Governance in Local Government" and Regulation 4 of the Accounts and Audit Regulations 2006. The Annual Governance Statement describes the key elements of the Council's governance arrangements covering all corporate systems and the range of activities for which the Council is responsible, the processes applied in reviewing their effectiveness, and lists the actions proposed to deal with significant governance issues.

2. The purpose of the governance framework

2.1 The governance framework comprises the systems and processes, culture and values for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lambeth Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Lambeth Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

3.1. This section describes the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

- *Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users*

3.2 The Council has a clear set of priorities in a Corporate Plan covering short-, medium- and long-term ambitions. Its integrated service and financial planning system allows the Council to identify and resource priorities effectively over a three-year period. The process is outcome-focussed, reflects the ambitions in the sustainable community strategy and the Local Area Agreement (LAA), is informed by the needs of its communities, and is flexible enough to adapt to new pressures and challenges as they arise. The Council, working with strategic partners and local communities set out the following six priorities –

- A safer Lambeth with strong communities
- More opportunities for children and young people
- Better housing and flourishing local economies
- Respect for our environment
- Developing personalised care services
- Serving our customers well

3.3 The Council's Corporate Plan is based on the same long-term vision and goals as the Sustainable Community Strategy and is updated each year. The short- and medium-term focus of the 2008-11 plan is delivering change to realise the longer-term aims and outcomes of the 2020 vision. A Service Planning Database for 2007/10 captures and maps more than 600 activities across the Council. The relevant accountabilities, performance measures, budgetary implications, and links to partnership / LAA activity are demonstrated here. This complete picture serves as a baseline, and the blueprint for the Council's departmental work, and allows the Council to take robust decisions to limit its activity to its key priority areas. For 2008/11, this will be augmented by departmental service plans.

- *Reviewing the authority's vision of its purpose and intended outcomes for citizens and service users*

3.4 The Chief Executive set out in 2006 a strategic plan to deliver this vision in a document entitled 'Four in Four'. This clearly outlines a vision for the Council to achieve 4 stars in 4 years. Progress against this ambition was set out in 'Our journey to a better Lambeth' in January 2008. This was marked by the Council's move from six to five departments to streamline corporate functions, co-locating the largest customer facing services and creating a more responsive organisation. The award of a three star rating (improving strongly) in February 2008 acknowledged an important milestone in this journey.

- *Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources*

The Council has a track record of setting priorities and delivering against them. The 2005/08 priorities were set out clearly in the 2005/08 Improvement Plan.

VfM has been a key Council priority to increase capacity and is now well embedded as part of its core business. It is a fundamental element of the service and financial planning process with an annual VfM review programme allowing the Council to routinely identify where services are not providing sufficient VfM informing its service design and transformational project prioritisation.

- *Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication*

3.5 The Council's political management structure comprises the executive (both elected Members and officers) which is the part of the Council responsible for policy implementation, operational decisions, performance, and formulating new policies. The Council's decision making is based on the 'Leader with Cabinet' decision-making model. This is supported by a scrutiny function focusing on all departments. The Youth Mayor is incorporated in the Council's constitution to make sure that the views of young people are also built into decision making also.

There is one overarching Overview & Scrutiny Committee with Scrutiny Sub- Committees to scrutinise the various functions of the executive and to support the work of the Council as a whole. They allow residents of Lambeth to have a greater say in Council matters by holding public inquiries into matters of local concern.

The Council also has committees which oversee its regulatory functions, that is, those concerning licensing and planning. Members of the public and all Councillors suggest items for scrutiny and inform their work programmes.

The Standards Committee has nine members, six of whom are independent of the Council including the chair, in line with best practice and (from 1 April 2008) legislative requirements. The Committee reviews and oversees Councillor training and the Council's Whistle Blowing Policy. The Standards Committee receives annual reports on member conduct and complaints made against members.

3.6. In the year there was a reshaping of the senior management structure with the reduction of a central services department. The Chief Executive, via the Chief Executives Office, oversees Policy; Equalities and Performance; Campaigns and Communications; and Human Resources. Each of the Council's other five main departments is headed by an Executive Director:

- Children and Young People Services
- Adults and Community Services
- Environment, Culture & Community Safety Services
- Finance & Resources
- Regeneration and Housing

- *Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff*

3.7. The Council has a set of values, FRESH: Fairness, Respect, Excellence, Service and Honesty, identified in consultation with staff and customers and these have been embedded as a way of working for a number of years. These values assist officers, members and partners in their work, with decision making, recruitment, how we treat people and deliver our ambitions and business plans.

The Council's Code of Conduct for staff was reviewed during the year to bring it in line with the national version for local authorities. Extensive consultation has taken place with the relevant key stakeholders, including the unions and members. The staff code is communicated to staff by way of inclusion in all offer letters, on intranet site and is referenced in all induction materials.

The revised model Code of Conduct for Members was adopted by the Standards Committee in May 2007. The adoption was followed by training to both members of the Standards Committee and the individual party groups. Adherence to the Members' Code is monitored closely by the Standards Committee.

- *Reviewing and updating standing orders, standing financial instruments, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risk*

3.8 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and Contract Procedure Rules form part of the Constitution. The Constitution is reviewed regularly by the Monitoring Officer and is available on the Internet; any recommended amendments are explained in reports for approval by full Council.

The Constitution is supported by operational procedures manuals containing information on financial and business procedures and processes to be followed in some areas of the Council.

An established Risk Management Strategy is annually reviewed and updated in line with best practice. The Cabinet Portfolio Holder for Finance and Resources along with the Executive Director for Finance and Resources champion risk management within the Council. The Council has approached embedding of risk management in accordance with best practice guidance with a Corporate Risk Register supported by Operational Risk Registers covering all business and service plans, projects and partnerships. The Risk Manager is responsible for officer and Member awareness and providing guidance and training to enhance understanding of how to implement risk management in accordance with responsibility.

- *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities*

3.9 The Corporate Committee performs the 'audit committee' role through its oversight and monitoring of Council corporate governance activities including internal audit, counterfraud, external audit, financial performance and reporting, and risk management. In addition, the Council has a Finance Strategy Board which acts as a clearing house for audit findings. The Board comprises senior officers from across Council departments.

- *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*

3.10 The Section 151 Officer and the Monitoring Officer undertake monitoring of compliance with established policies, procedures, laws and regulations. There is a corporate induction programme in place supplemented by various internal training courses with information regarding current policies and procedures held on the intranet. The Council has a strong Internal Audit function and protocols for working with External Audit. The external auditor and the Audit Commission through its Inspectorate functions also review compliance.

3.11 Equality and Diversity is a key element of the Corporate Plan. Equality impact assessments are carried out on any new polices or service changes. The Council uses these assessments to identify and address any potential for discrimination.

- *Whistle-blowing and for receiving and investigating complaints from the public*

3.12 The Council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has procedures in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way.

In addition, there are arrangements in place for logging and monitoring complaints handling covering Stage 3 complaints, and Ombudsman enquiries. Its aim is to improve Council performance by distributing good practice and lessons learnt from complaints.

- *Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training*

3.13 Members have a professional working relationship with officers across the Council. The Cabinet and senior officers work closely together taking part in joint policy and performance development sessions facilitated by the IDeA. The Council provides a comprehensive support and development programme for Councillors from their induction at the start of their electoral term to an integrated programme based on the 'six Councillor roles'. The programme was designed through consultation with Members, officers and the IdeA and London Councils.

- *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*

3.14 Robust internal and external communications are important to the Council. We publish key documents, service information and on-line payment facilities on the Lambeth website.

3.15 Consultation is very important to the Council and we continue to develop our approach. Having defined our priorities through consultation, resources are allocated to fund these through our service and financial planning process. Over the last year, the Council has carried out targeted engagement to develop its understanding of the sometimes competing needs and interests of its communities. This understanding informs its Lambeth Together Strategy [i](Community Engagement Strategy), led by Lambeth First. We continue to improve the ways we engage with local people.

- *Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements*

3.16 Lambeth Council shares a vision with its partners for the borough, documented in the 2008-2020 Sustainable Community Strategy (SCS).

3.17 In 2007/08 the Council implemented revised governance arrangements defined around operational activities (business as usual), transformation programmes and partnership working by identified strategic themes or areas of activity. From 1 April the senior management team has moved to holding formal operational and transformational meetings, setting the agendas to provide strategic leadership and management direction in both operational and transformational spaces with clear alignment of activities cascading through the governance model. The Strategic Transformation Board (STB) takes forward the strategic programming and commissioning functions with overall responsibility for the strategic development of Council and delivery of core transformational priorities. Beneath the STB there are initially six delivery boards, aligned to the Council's Local Strategic Partnership themes:

- Children and Young People
- Healthier Communities and Older People
- Safer and Stronger Communities
- Economic Development
- Support Services
- Active Communities and Neighbourhoods

The Strategic Leadership Board (SLB) retain core responsibility for operational management of the Council and delivery of operational excellence. Beneath the SLB the Departmental Leadership Teams will continue to operate providing leadership and oversight at a divisional and business unit level.

3.18 Lambeth Council has not adopted a "Local Code of Corporate Governance" but has achieved in the main the following core principles of effective governance, as is evident in Section 4 'Review of Effectiveness' below.

<u>The six principles of good governance are:</u>
(Source: CIPFA/SOLACE framework 2007)

1. Focus on the purpose and on outcomes for the community
2. Members and officers working together to a common purpose with clearly defined roles
3. Upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions, subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with stakeholders to ensure robust public accountability

3.19 The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. Budget priorities are defined by the three-year service and financial planning process, each department completing a proposal document. The budgeting process requires departments to submit budgets that are aligned to the Council's objectives, and which are based on a Council-wide required savings target. Through the year Members and officers receive a monthly Finance Monitor. This shows the position for each department and what is being done to address potential overspends.

4. Review of effectiveness

4.1. Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal audit and control. The Council's approach to the review of effectiveness is joined up and based on the CIPFA SOLACE Framework and Accounts and Audit regulations. It is informed by the work undertaken by a Working Group assisted by Internal Audit and involved senior officers within the Council who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The approach encompassed:

The Standards Committee plays an important role in ensuring that the effectiveness of the governance framework is maintained within the council. The IDeA review stated that the Standards Committee is "seen to be delivering valuable work and having a positive impact". This Committee has worked hard to increase awareness of its activities and ethical governance generally. Its remit was extended in the year to cover whistleblowing.

<u>The eight objectives for AGS assurance gathering process</u>
(source: CIPFA FAN Rough Guide 2008)

- Establish principal statutory obligations and organisational objectives
- Apply the six CIPFA / SOLACE core principles
- Identify principal risks to achievement of objectives
- Identify and evaluate key controls to manage principal risks
- Obtain assurances on effectiveness and key controls
- Evaluate assurances and identify gaps
- Action plan to ensure continuous improvement and address gaps
- Prepare and publish AGS

4.2. The governance structure of the Local Strategic Partnership (LSP), Lambeth First, enables an effective working partnership. Its structures are designed to deliver the key elements responsible for securing the Council's Vision for Lambeth, the Sustainable Community Strategy, the Local Area Assessment and thematic strategies and joint partner activities. There are regular meetings of the Lambeth First Executive Delivery Group, made up of senior representatives from the Council, Primary Care Trust, Metropolitan Police, Learning Skills Council, Jobcentre Plus and London Voluntary Action Group. As a result, the Council's strategic planning priorities are directly aligned with those of the LSP's Community Strategy. The Council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the Council and other key partners and service delivery agencies. Work is underway to map all partnerships, strengthen risk management and develop a governance toolkit to strengthen accountability and monitor VfM of partnership working.

4.3. There is a close working relationship between Scrutiny Chairs and the Cabinet. This is demonstrated by bi-annual meetings of the Scrutiny Management Group where members clarify roles, discuss any difficulties that have arisen and seek to embed closer collaborative working. The Scrutiny Chairs also meet regularly with the relevant Executive Director to clarify issues outside of the formal committee setting. Cabinet Members and senior officers, along with our partners, receive friendly critical challenge from Scrutiny through detailed review and monitoring.

At the Council's request, IDeA undertook an Ethical Governance Health Check of the Council in October 2007. Overall, the report is extremely positive and recognises the very strong ethical and governance arrangements that the Council has in place. All areas identified as requiring further consideration were addressed in the management response to the report.

4.4. The Performance and Quality Management Framework has a clear methodology for keeping performance on track, and is integrated with service and financial planning. This ensures the 'golden thread' between strategic priorities and service delivery is clearly defined. Each Council department produces its own performance digest, reported monthly to their respective DLT where service areas are challenged and held to account. Digests contain the department's key performance indicators.

Corporate ownership is maintained via the Council Performance Digest where poorly performing Performance Indicators (PIs) are tracked and reported to SLB and Cabinet. Each quarter the SLB and Cabinet review a corporate performance report and key issues are examined by the Scrutiny Committees. The political leadership is also engaged in performance management to ensure the priorities of the administration are being delivered. Each Scrutiny Committee undertakes its performance management role by selecting particular areas of performance information, generally relating to the weaker performing areas, to focus on during a particular year.

4.5. The Council's constitution, which is reviewed regularly by the Monitoring Officer, sets out the responsibilities of both Members and Senior Officers. In particular the Council has identified the four statutory posts as follows:

- Head of Paid Service - Chief Executive
- Chief Financial (Section 151) Officer – Executive Director of Finance & Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children and Young Peoples
- Director of Adult Social Services – Executive Director, Adults' and Community Services

4.6. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has evaluated its governance arrangements against the CIPFA/SOLACE and CIPFA FAN guidance in the spirit of acknowledging gaps and working to continuously enhance the well-established corporate governance framework.

4.7 The arrangements for the provision of internal audit, risk management and counter fraud are contained within the Council's Financial Procedure Rules which underpin the Constitution and are reviewed annually by the Executive Director of Finance & Resources (EDFR). The EDFR is also responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of control as required by the Accounts and Audit Regulations 2006.

4.8 The internal audit and counterfraud functions are integrated and managed by a Chief Internal Auditor. The functions are run in partnership with two leading audit and consultancy practices and operate in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Annual Audit Plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around corporate governance, and scheduled visits to Council establishments. The resulting work plan is discussed and agreed with the Executive Directors, SLB and the Corporate (Audit) Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All internal audit reports include an audit assurance assessment on the adequacy and operational effectiveness of internal control; direction of travel; quality of the risk register and prioritised action plans to address any areas requiring improvement. Internal audit reports are submitted to Executive Directors, School Heads and Chairs of Governing Bodies as appropriate; the Corporate (Audit) Committee receives summary reports or full reports on request.

4.9 The anti fraud service will be one of the first in local government to meet the requirements of the Government's Fraud Review. *A Counter Fraud Strategy for Lambeth: Protecting Lambeth against fraud –delivering resources for better public services* was effectively launched on the 1 November as well as a new public facing website (www.lambeth.gov.uk/fraud). This has been presented to all Departmental Leadership Teams; all of which have nominated Fraud Champions to work with us on this programme of change. The counter fraud work feeds back to help progress the development of an anti-fraud culture, as demonstrated in the results of the joint Internal Audit/Audit Commission survey. Over 74% of respondents were aware of the new strategy to counter fraud, with over 50% of staff being more accepting of their responsibility to counter fraud than they were six months ago. Significant work on reducing losses through fraud loss measurement and data analytics has been initiated.

4.10 We ensure that where funds are targeted by fraudsters that the monies are recovered and used in frontline services. We have invested in a police officer (seconded from the Metropolitan Police) who works alongside our investigation teams and advises them on criminality and shares intelligence. The teams have been achieved good outcomes as evidenced by their level of prosecutions, number of staff disciplinary, overpayments and savings. The National Fraud Initiative also was a success.

4.11 Based on the work undertaken by Internal Audit in 2007/08, the Chief Internal Auditor has given the following opinion on the Council's system of internal control:

'There are many areas of good practice throughout the Council. The overall direction of travel in the system of internal control at the Council has been showing improvements year-on-year with a reducing number of key financial systems reports showing ongoing weaknesses, a slight improvement in full assurance systems and a small decrease in the number of critical/high priority recommendations.

Concerns remain in respect of the key financial systems still showing ongoing weaknesses and the cluster of financial and non financial systems with moderate/limited assurance.

Given the Council's improvement journey, inconsistent application of laid down procedures, exacerbated by poor management oversight at business unit level, remains an issue that needs to be removed rather than appearing in our findings.

Counter fraud activity was intense and well received during the year. Anti fraud measures were reviewed and tightened and exercises undertaken to identify and reduce the incidence of losses and waste. Robust reactive investigations achieved higher outcomes in the number of successful disciplinary, prosecutions and other sanctions and in the level of assets and funds identified for recovery.

The counter-fraud work feeds back to help progress the development of an anti-fraud culture, as demonstrated in the results of the joint Internal Audit/Audit Commission survey. Over 74% of respondents were aware of the new strategy to counter fraud, with over 50% of staff being more accepting of their responsibility to counter fraud than they were six months ago.'

4.12 The Council's risk management is fully integrated into its governance processes. Through the availability of better risk reporting information and being able to produce comprehensive risk reports, individual managers and management teams now review and discuss their risks on a much more frequent basis. Lambeth recently became the first London Council to risk rank all schools insured with Lambeth, reducing their premiums and offering risk initiative funding for schools. Partnership risks are also managed, the Lambeth First's risks are similarly managed through a risk register to mitigate partnership risks and support the delivery of key projects for the borough. Work is currently being undertaken to allow partners to access the risk externally that relate to their partnership working.

The risk management section also undertakes external work in setting up the London Authorities Mutual Limited (LAML) and other central groups to establish best practice.

4.13 In addition to the above review, further independent third-party assurance was provided through the following:

- The planning service's performance is in the upper second quartile;
- Social care has obtained 3 stars as an Adults and Community Services department, bucking a national downward trend. The Adult learning service was assessed as 'satisfactory' following OFSTED inspection. Two areas of the service, 'Family Learning' and 'Equality of Opportunity' assessed as 'good';
- Commissioning strategies provide a framework for future service delivery and continuous improvement of Services;
- Financial Management Standards (FMSiS) accreditation for secondary and primary schools;
- Audit Commission review of the preparations for the Lambeth Living ALMO, February 2008; and
- Community Safety service inspection: service delivery provision is 'good', Dec 2007.

4.14 The Council's review of the effectiveness of the system of internal audit is informed by:

- The extent to which external audit placed reliance upon Internal Audit in relation to the key financial systems in 2007/08;
- The Use of Resources assessment on internal control;
- A self-assessment of the extent of compliance against the Chartered Institute of Public Finance Accountancy (CIPFA) Code of Practice for Internal Audit (2006);
- A self-assessment of the extent of compliance against the Internal Audit Quality Assessment Framework;
- Performance against targets;
- Summaries of customer satisfaction questionnaires; and
- Effectiveness of the Audit Committee.

4.15 Value for Money (VfM) is a key priority for the Council and is embedded in its governance structures via the Corporate Plan. The financial planning process is the key vehicle for identifying and planning VfM on an annual basis. The costs of Lambeth's services are benchmarked with those of our nearest neighbours. This information supports service design and the corporate challenge, through, for example, the budget challenge meetings held with senior officers and Members. The Council has achieved in excess of £26 million in Gershon efficiency savings between 2005 and 2008, well ahead of the government target of £23 million.

4.16 The Council has consistent and accessible procurement policies. Guides for organisations who wish to sell services to the Council are easily available on the Council's website and the e-procurement system is now fully established. A Third Sector Review is being carried out to map how the Council commissions and procures from the third sector, which will inform the creation of a Third Sector commissioning framework. The Corporate Procurement Team routinely conducts benchmarking exercises against existing corporate projects and contracts through market testing, comparisons with other authorities and in conjunction with agencies such as the Office of Government Commerce (OGC), the London Contracts Supply Group (LCSG) and the London Centre of Excellence (LCE).

4.17 The Council has brought its financial management not only under control, but integrated it into the strategic planning process. Financial activity is mapped to priority outcome areas in the Corporate Plan and embedded in service and financial planning over a three-year period. The Council's financial stability underpins its capacity to continue to improve. Income collection is a key element of this. Council tax collection increased for the fifth year in a row and Business rates (NNDR) collection remains in the upper second quartile. Sundry debt collection stands at 93.5% year ended 2007/08. The Use of Resources score moved up from two to three stars, improving its score in three out of five sub-categories.

4.18 There is a newly reshaped senior management structure, which is designed to be leaner, more flexible, as well as accountable and strategic. This was marked by the Council's move from six to five departments to streamline corporate functions, co-locating the largest customer facing services and creating a more responsive organisation. The People Management Strategy provides a structure to raise the standards of people management across the authority. The Council compares well to local government peers on the employment of Black and Minority Ethnic (BME) and disabled staff at senior levels in line with our goal of a workforce that reflects the community at every level. Also, in 2007, the Council retained its status as an Investor in People (IiP). Lambeth is a learning organisation, with a strong commitment to valuing and investing in staff through staff surveys, staff awards and professional qualification schemes.

4.19 Lambeth is fully prepared for emergencies, its Civil Contingencies Plan sets out the response to emergencies and also contributes to the PCT's flu-pandemic plan. There is a Lambeth Emergency Planning Forum to coordinate work amongst partners. The Council's Business Continuity Plans ensure that critical services can be delivered in case unexpected issues arise and these are subject to ongoing review and development. All Council departments have up-to-date, signed, business continuity plans.

4.20 Self-assessment certification from Executive Directors and Directors for the year ended 31 March 2008 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. The letter of representation process in no way absolved officers of their responsibility to continue addressing the issues noted.

5. Significant governance issues

5.1. The evaluation of the assurances surrounding the governance framework has disclosed the following significant issues which the Council will address:

Significant governance issue	Action(s) to be taken
Further enhance the effectiveness of corporate governance arrangements to strengthen the correlation between good governance, strong ambition, clear prioritisation and effective performance management.	• Assign specific responsibility to a member of the Strategic Leadership Board • Compile a local code of corporate governance • Design and implement review and monitoring arrangements • Provide governance training to key officers and all members • Raise awareness amongst staff, the public and other stakeholders • Communicate the updated Staff Code of Conduct and provide training on effective business ethics. • Instances of non compliance are identified,

	assessed for punitive management action, reported and publicised • Define responsibilities for the evaluation of assurances throughout the organisation • Establish a mechanism for collecting governance assurances with overall responsibility allocated to a governance senior officer and member group • Maintain a central record of all assurances (either evidence file, or showing clear link to where evidence is held)

5.2. The system of internal control at the Council has been showing improvements year-on-year with a reducing number of key financial systems reports showing ongoing weaknesses and a small decrease in the number of critical/high priority recommendations. Concerns remain in respect of the key financial systems still showing ongoing weaknesses and the cluster of financial and non financial systems around moderate/limited assurance.

The top themes appearing across limited assurance internal audit reports issued for 2007/08 are:

Significant control weaknesses	Action(s) to be taken
General Assurance Levels Whilst the proportion of 'no' assurance reviews is decreasing, the reviews with 'high' assurance are not increasing significantly. Over 80% of the reviews received a moderate or limited assurance. Thus, there is an urgent need for improvement in 'high' assurance levels for the Council to achieve 'risk matured' status where adequate risk and control systems are embedded in everyday operations - • Routine controls are not always applied effectively and the oversight and governance controls are not always evidenced at the transaction level across all departments. • Many instances identified of retrospective raising of purchase orders after goods or services have been procured. As a result, financial commitments are not accurately identified on the general ledger and the purchase of goods and services are not appropriately authorised at the time of ordering	Finance Strategy Board (FSB) and Corporate (Audit) Committee will monitor improvement in assurance levels. Internal Audit will submit quarterly reports to these boards and committees highlighting significant instances of the inconsistent application of council procedures.
Key Financial Systems The proportion of 'high' assurance reviews improved slightly to 33% whilst 13% received 'limited' assurance – • The frequency and evidencing of reconciliations remain a concern in a number of systems. Examples are main accounting system, the SX3 system to Oracle, between the Symology and Oracle systems in Highways Services,	FSB and Corporate (Audit) Committee to monitor improvement in assurance levels.

between the Housing Benefits System (Academy) and the Rent Accounting System (Sx3), and unreconciled items were identified on the reconciliation between income as per the parking • system and banked income. • Fixed Assets: As a result of the problems experienced with the 2006/07 accounts the process of updating in year the Corporate Asset Register with 2007/08 data such as additions, disposals and revaluations had not been undertaken in good time.	

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed Derrick Anderson
Chief Executive

19th June 09
Date

Signed J Melton
Deputy Leader of the Council (Acting Leader)

19 June 2009
Date

Signed
Chair, Corporate Committee

19 June 2009
Date

STATEMENT OF ACCOUNTING POLICIES

General Principles

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting (as amended) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), the Best Value Accounting Code of Practice (BVACOP), and also with guidance notes issued by CIPFA on the application of accounting standards, namely Financial Reporting Standards (FRSs) and Statements of Standard Accounting Practice (SSAPs). Any material variations from these guidelines are shown in the notes to the accounts.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. This excludes expenditure on the routine repairs and maintenance of fixed assets which is charged directly to service revenue accounts.

Expenditure on schemes where assets have not been subject to a valuation is not added to Fixed Assets as there is no formal certified added value. Consequently such expenditure is treated as impairment and charged to the relevant service account. This entry is subsequently reversed out to the Capital Adjustment Account, therefore having no effect on the General Fund or Housing Revenue Account.

Assets acquired under finance leases and the Council's assets under lease and leaseback transactions are also capitalised in the Council's accounts together with the liability to pay future rentals.

Fixed assets are valued in accordance with the Statement of Asset Valuation Principles and Guidance notes issued by the Royal Institute of Chartered Surveyors (RICS).

Fixed Assets are classified into groups as specified within the Code of Practice in Local Authority Accounting.

Individual categories of asset are valued on the following basis;

Council Dwellings	Existing Use Value (EUV)
Specialist Operational land & property	Depreciated Replacement Cost (DRC)
Non-Specialist Operational land & property	Existing Use Value (EUV), Depreciated Replacement Cost (DRC) or Open Market Value as appropriate
Non-operational properties (Investment and Surplus)	Open Market Value (OMV)
Vehicles, Plant & Equipment	Depreciated Historic Cost
Infrastructure Assets	Depreciated Historic Cost
Community Assets	Nominal Value
Intangible Assets	Valued at cost and amortised over useful life

Valuations are subject to review as part of a five-year rolling programme.

Depreciation

Depreciation is provided for on all operational fixed assets with determinable finite useful life on a straight-line basis over the period for which they are expected to yield economic benefits to the Council. The periods over which assets are depreciated are determined by the valuer. In the absence of such a determination the following applies:

Council Dwellings	60 Years
Other Land & Buildings	40 Years
Vehicles & IT equipment	4 Years
Plant, furniture & equipment	10 Years
Infrastructure, commercial properties & surplus assets	40 Years
Intangible assets	Amortised over 4 years

Depreciation is not charged on Community assets as they do not have a determinable useful life.

Fixed assets acquired during the year are not depreciated until the first full year of use, i.e. the year following the year of acquisition. Assets disposed of during the year are charged a full year's depreciation in the year of disposal.

Depreciation is charged to service revenue accounts where an asset is clearly identifiable with provision of service. The whole effect of depreciation in the General Fund is reversed out in the Statement of Movement on the General Fund Balance. The charge to the Housing Revenue account is limited to the amount of Major Repairs Allowance received; the excess is reversed out into the Major Repairs Reserve and then to the Capital Adjustment Account.

Capital Expenditure

Expenditure is charged to capital where it meets the criteria as specified in the SORP. The council has set a de minimis level of £20,000 for capital expenditure.

Impairment

Impairment reviews on groups of assets are conducted on an annual basis. Any impairment identified as being due to the consumption of economic benefit is charged directly to the relevant service account, otherwise it is charged to the revaluation reserve to the extent that there is a sufficient compensating revaluation gain.

Disposal of Fixed Assets

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal and netted off against the carrying value of the asset. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. 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 Usable 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 Statement of Movement on the General Fund Balance.

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 Statement of Movement on the General Fund Balance.

Authorities are required to ensure that the current values of assets are kept up to date. Therefore, when an asset becomes surplus (i.e. transferred from operational to non-operational) the asset is revalued at Open Market Value (OMV).

Deferred Charges & Intangible Assets

Deferred charges relate to expenditure on assets that do not belong to the Authority, for example Improvement grants for private sector housing, but the expenditure still falls within the definition of capital expenditure.

When such expenditure is incurred it is debited to the relevant service account. Further appropriations between the Capital Adjustment Account and the Statement of Movement in General Fund Balance ensure there is no impact on council tax.

Intangible assets, such as software licences, are only recognised when they are purchased or where internally developed and they have a readily ascertainable market value. In accordance with FRS 10, Intangible assets are included at historic cost and only revalued where their market value is readily ascertainable.

Contracts under the Private Finance Initiative (PFI)

Smoothing Reserve

Any excess of government grants (PFI credits) received for PFI schemes over current expenditure levels are appropriated to an ear-marked reserve (PFI smoothing reserve) to be carried forward to fund future contract obligations.

Prepayments

The value of any assets transferred to a contractor under a PFI contract is treated as a prepayment and recorded in the accounts as a deferred asset. The prepayment is written down (charged) annually to the revenue account in equal amounts over the life of the contract to reflect the consumption of the prepayment.

Reversionary Interest.

Where assets will revert to the Council at the end of the PFI contract term, the authority builds up on its balance sheet a reversionary interests asset over the life of the contract. This is done by assigning annually part of the unitary payment under the PFI contract to the acquisition of a share of the reversionary interest. At the end of the PFI contract the reversionary interest asset (part of Other Land and Buildings in Fixed Assets) will equal the estimated value of the assets reverting to the Council.

Stocks

Stocks are recorded in the Balance Sheet at the lower of actual cost or net realisable value in accordance with the Code of Practice and SSAP9.

Long-term contracts

Long-term contracts are accounted for on the basis of charging the Income and Expenditure Account with the value of works and services received in the year of account.

Debtors and Creditors

For all material items of expenditure and income, the accounts are prepared on an accruals basis; i.e. sums due to or from the Council during the year are included whether or not the cash has been actually received or paid in the year. This treatment is in accordance with the Code of Practice.

Leasing

The Council may use local authority operating leases to finance movable capital assets (such as computer equipment). The costs of the use of the asset are spread over the lifetime of the lease and met from service revenue budgets. Leasing is used when option appraisal indicates that this form of financing demonstrates value for money.

Government Grants and Contributions

In accordance with CIPFA guidelines on the application of SSAP4, Government grants and other contributions are recognised in the accounts when conditions for their receipt have been complied with and there is reasonable expectation that the grants or contributions will be received.

Where the acquisition of a fixed asset is financed either wholly or partly by Government grant or other contributions, the amount of the grant or contribution is credited initially to the deferred government grants account. Amounts are then written off to the service revenue account over the useful life of the asset to match the depreciation of the asset to which it relates. Revenue grants receivable in the year are credited to respective areas and are matched with expenditure to which they relate.

Cost of Support Services

Central administrative expenses have been fully allocated in accordance with the BVACOP.

Provisions

The Council has set aside provisions for specific future liabilities or losses, which are likely or certain to be incurred, but the amount and/or timing of which cannot be determined accurately.

Reserves

Reserves are created where monies have either been received or set aside by the authority for specific purposes or where there is a receipt which cannot be immediately allocated to an individual service. The basis of each individual reserve is included in the relevant note to the balance sheet.

Group Accounts

The Council has determined that although it forms part of a group (with the creation of the wholly owned company United Residents Housing during the period 2006/07), due to the nature of the transactions and relationship arising, and a consideration of materiality, it is exempt from the requirement to prepare group accounts, and has not formulated specific group accounting policies. Should the requirement to prepare group accounts arise, the Council will formulate appropriate accounting policies based on the circumstances pertaining to the group.

Value Added Tax

VAT is included in the income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable. VAT has been accounted for to HM Revenue & Customs on a monthly basis.

Retirement Benefits

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

- The Teachers' Pension Scheme, administered by the Department for Children, Schools and Families (DCSF).
- The Local Government Pension Scheme, administered by the London Borough of Lambeth.
- The Local Government Pension Scheme, administered by the London Pensions Fund Authority.

All schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions' scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the education service revenue account is charged with the employer's contributions payable to teachers' pensions in the year.

The two Local Government Pension Schemes are accounted for as defined benefits schemes. The liabilities attributable to the council are included in the Balance Sheet on an actuarial basis using the projected unit method – 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, using a discount rate of 6.9% (based on the indicative rate of return on high quality corporate bond [iboxx Sterling Corporates Index, AA over 15 years]). The assets attributable to the council are included in the Balance Sheet at their fair value. More details are available in the notes.

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

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
- 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 Net Operating Expenditure in the Income and Expenditure Account
- gains/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 to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses
- contributions paid to the funds – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the council to raising council tax to cover the amounts payable by the council to the pension fund in the year. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

Financial Liabilities

Financial liabilities are carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/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 Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The council has a policy of spreading the gain/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 Income and Expenditure Account 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 Statement of Movement on the General Fund Balance.

Financial Assets

All Lambeth's financial assets fall into the classification of "loans and receivables" – assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For all of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

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 Income and Expenditure Account.

Bad Debt Provision

Lambeth makes provision against the eventuality that not all debt will actually be paid. There is a standard policy, which is applied across the Council generally, although there are also some large areas of business where a different bad debt provision policy is deemed more suitable. Details are given below:

Area of business	Rate of provision for debt between 30 and 361 days old	Rate of provision for debt older than 361 days	Other
Standard	20%	90%	
Housing benefits over-payment	50%*	100%	
Council Tax			5.26% of precept
National non-domestic rates	5% (over 6 months)	50%	Bankruptcy etc (95%)
Parking Income			Historical collection rates applied
Section 20 Major works			'Project 500' scheme by scheme analysis based on recoverability of the debt

*This is applied to 0-360 days.

Re-basing of Pension Liability

The Pension Liability has been re-based such that it agrees exactly with that as calculated by the actuary in the FRS 17 report. This involved increasing the liability by £1.1m on an existing liability of £366.2m.

Foundation Schools

The School Standards and Framework Act 1998 changed the status of Grant maintained schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1st April 1999. Fixed assets and long-term liabilities remain vested in the Governing bodies of individual foundation schools and therefore values and amounts have not been consolidated in this balance sheet. In this authority area there are 6 Foundation schools with an estimated fixed asset valuation of £27m as at 31st March 2008.

INCOME AND EXPENDITURE ACCOUNT

	2006/07 Net spending £'000	2007/08 Gross spending £'000	2007/08 Gross Income £'000	2007/08 Net spending £'000
Central services to the public	7,123	**224,199**	**(210,772)**	**13,427**
Cultural, environmental and planning services	68,503	**114,570**	**(44,933)**	**69,637**
Education services	30,272	**388,534**	**(285,189)**	**103,345**
Highways, roads and transport services	997	**62,934**	**(59,703)**	**3,231**
Housing services (HRA)	(13,721)	**156,522**	**(148,669)**	**7,853**
Housing services (non-HRA)	8,826	**72,636**	**(48,177)**	**24,459**
Social services	133,885	**205,221**	**(64,617)**	**140,604**
Corporate and democratic core	14,292	**82,424**	**(69,725)**	**12,699**
Non-distributed Costs	5,224	**80,839**	**0**	**80,839**
NET COST OF SERVICES	255,401	**1,387,879**	**(931,785)**	**456,094**
Loss on the disposal of fixed assets	3,524			**193**
Notional Gain on disposal	(21,379)			**0**
Interest payable and similar charges	40,363			**37,598**
Amortisation of premiums/discounts	21,294			**2,666**
Contribution of housing capital receipts to Government Pool	15,151			**15,723**
Interest and investment income	(11,923)			**(15,483)**
Pensions interest cost less return on assets	7,500			**7,315**
Net Operating Expenditure	309,931			**504,106**
Demand on the Collection Fund	(83,245)			**(88,042)**
General government grants	(35,312)			**(29,631)**
Overhanging debt grant	(64,495)			**(13,083)**
Non–domestic rates redistribution	(160,609)			**(168,141)**
Transfer to/from the Collection Fund	(1,676)			**(1,681)**
(Surplus)/Deficit for the Year	(35,406)			**203,528**

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2006/07 £'000	2007/08 £'000
(Surplus)/deficit for the year on the Income and Expenditure Account	(35,406)	**203,528**
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	24,415	**(215,052)**
Increase in General Fund balance for the year	(10,991)	**(11,524)**
General Fund balance brought forward	(10,683)	**(21,674)**
General Fund balance carried forward	(21,674)	**(33,198)**
Amount of General Fund balance held by governors under schemes to finance schools	(12,499)	**(16,488)**
Amount of General Fund balance generally available for new expenditure	(9,175)	**(16,710)**
	(21,674)	**(33,198)**

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006/07 £'000	**2007/08** **£'000**
(Surplus)/deficit for the year on the Income and Expenditure Account	(35,406)	**203,528**
Surplus arising from revaluation of assets	(204,016)	**(313,238)**
(Surplus) / deficit arising on revaluation of available-for-sale financial assets	0	**0**
Actuarial gains on pension fund assets and liabilities	(58,400)	**(70,086)**
Premiums transferred to Financial Instruments Adjustment Account	0	**953**
Re-basing of Pension Liability	0	**1,135**
Other (gains) and losses	(14,145)	**0**
Total recognised gains	(311,967)	**(177,709)**

BALANCE SHEET

	Note	£'000	31-Mar-07	£'000	31-Mar-08 £'000
FIXED ASSETS					
Intangible fixed assets	4		15,572		11,177
Tangible fixed assets (net of depreciation)	1, 2, 3				
Operational assets					
Council dwellings		1,675,353		1,778,178	
Other land & buildings		414,906		449,343	
Vehicles, plant furniture & equipment		11,299		4,279	
Infrastructure assets		69,662		80,064	
Community assets		4,935		16,823	
Non-operational assets			2,176,155		2,328,687
Investment properties		63,127		0	
Assets under construction		4,765		42,892	
Surplus assets held for disposal		6,894		15,875	
			74,786		58,767
TOTAL FIXED ASSETS			2,266,513		2,398,631
Long-term investments			5		5
Long-term debtors	16		1,080		917
Deferred premiums on the early repayment of debt	18		953		0
TOTAL LONG-TERM ASSETS			2,268,551		2,399,553
CURRENT ASSETS					
Stocks		0		0	
Debtors (gross of provisions)	15	216,212		238,953	
Bad debt provisions		(77,578)		(87,603)	
Investments	13	261,885		282,800	
Cash at bank		34,883		40,987	
			435,402		475,137
TOTAL ASSETS			2,703,953		2,874,690
CURRENT LIABILITIES					
Creditors	19	(162,825)		(179,538)	
Cash overdrawn		(35,601)		(39,342)	
			(198,426)		(218,880)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,505,527		2,655,810
LONG TERM LIABILITIES					
Long-term borrowing	14		(686,386)		(686,481)
Provisions	26		(19,954)		(32,924)
FRS17 Pensions liability	27		(366,163)		(288,412)
Government and other capital grants deferred			(4,805)		(32,839)
Capital grants unapplied			(44,133)		(53,359)
TOTAL NET ASSETS			1,384,086		1,561,795
Fixed Asset Restatement Account			(1,094,875)		0
Capital Financing Account			(494,156)		0
Capital Adjustment Account	7		0		(1,432,995)
Revaluation Reserve	6		0		(265,267)
Usable Capital Receipts Reserve	8		(77,498)		(52,247)
Deferred capital receipts	17		(790)		(626)
Major Repairs Reserve			(14,237)		(31,195)
FRS17 Pensions reserve			366,163		288,412
Financial Instruments Adjustment Account	10		0		4,475
Fund balances and reserves					0
General Fund (exclusive of LMS balances)			(9,175)		(16,710)
LMS balances	22		(12,499)		(16,488)
Collection Fund			(8,379)		(8,365)
Housing Revenue Account			1,962		634
Other Reserves	20		(40,602)		(31,423)
TOTAL CAPITAL AND REVENUE RESERVES			(1,384,086)		(1,561,795)

CASHFLOW STATEMENT

	Note	£'000	2006/07 £'000	**£'000**	**2007/08 £'000**
REVENUE ACTIVITIES					
Cash Outflows					
Cash paid to and on behalf of employees		265,209		**280,734**	
Other operating cash payments		666,799		**701,764**	
Housing Benefit paid out		82,232		**88,736**	
NNDR payments to national pool		77,577		**78,900**	
Payments to capital receipts pool		15,151		**17,290**	
Precepts paid		28,552		**30,291**	
			1,135,520		**1,197,715**
Cash Inflows					
Rents (after rebates)		(51,745)		**(52,370)**	
Council Tax receipts		(95,016)		**(100,144)**	
Community Charge receipts		(8)		**(4)**	
Receipts from non-domestic ratepayers		(81,196)		**(84,851)**	
Contributions from NNDR Pool		(160,609)		**(168,141)**	
Revenue Support Grant		(31,003)		**(28,217)**	
DWP grants for benefits		(204,398)		**(205,549)**	
Other Government grants	4	(294,083)		**(292,080)**	
Cash received for goods and services and other operating cash receipts		(343,393)		**(320,210)**	
			(1,261,451)		**(1,251,566)**
NET CASH INFLOW FROM REVENUE ACTIVITIES			(125,931)		**(53,851)**
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Cash outflows					
Interest paid		41,502		**37,504**	
Cash inflows		0		**0**	
Interest received		(9,394)		**(13,760)**	
			32,108		**23,744**
CAPITAL ACTIVITIES					
Cash outflows					
Purchase of fixed assets		85,022		**111,153**	
Deferred charges		27,374		**27,319**	
Other capital cash payments		1,608		**0**	
Cash inflows					
Sale of fixed assets		(36,588)		**(57,786)**	
Capital grants received	5	(42,778)		**(71,435)**	
Other capital cash receipts		(2,192)		**(2,423)**	
			32,446		**6,828**
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING			(61,377)		**(23,279)**
MANAGEMENT OF LIQUID RESOURCES	3				
Net increase/(decrease) in short term deposits			12,376		**20,916**
FINANCING					
Cash outflows					
Repayments of amounts borrowed					
Long-term loans		53,485		**0**	
Short-term loans		0		**0**	
Cash inflows					
New long-term loans		0		**0**	
New short-term loans		0		**0**	
NET CASH OUTFLOW FROM FINANCING			53,485		**0**
DECREASE/(INCREASE) IN CASH			4,484		**(2,363)**

NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND

	2006/07 £000		**2007/08 £000**	
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year				
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	(6,313)		**2,791**	
Depreciation of fixed assets	(17,783)		**(20,554)**	
Impairment	(375)		**(197,545)**	
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(8,443)		**(1,668)**	
Government Grants Deferred amortisation	6,107		**12,327**	
Overhanging debt grant	53,486		**10,418**	
Write downs of deferred charges to be financed from capital resources	(9,284)		**(12,186)**	
Notional gain on disposal	21,379		**0**	
Net loss on sale of fixed assets	(3,524)		**(193)**	
Net charges made for retirement benefits in accordance with FRS 17	(31,800)		**(29,713)**	
		3,450		**(236,323)**
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance				
Minimum revenue provision for capital financing	10,180		**8,771**	
Commutation adjustment	(4,371)		**(3,961)**	
Provision for repayment of transferred deemed debt	(2,610)		**0**	
Capital expenditure charged in-year to the General Fund Balance	0		**750**	
PFI - assets to be returned to LBL	766		**771**	
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(15,151)		**(15,723)**	
Employer's contributions payable to the Lambeth Pension Fund and LPFA and retirement benefits payable direct to pensioners	32,565		**38,514**	
		21,379		**29,122**
Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year				
Housing Revenue Account balance	(4,197)		**1,328**	
Net transfer to or from earmarked reserves	3,783		**(9,179)**	
		(414)		**(7,851)**
Net additional amount required to be debited / (credited) to the General Fund balance for the year		24,415		**(215,052)**

Notes to the Income and Expenditure Account

1. PFI schemes

The Lilian Baylis School PFI became operational in January 2005 and the Council made payments to Focus Education (Lambeth) Ltd of £2.195m in 2007/08. In 2008/09 the commitment is approximately £2.206m, though the actual sum paid will be subject to performance levels. The contract is for 25 years, and annual payments will increase by inflation.

In 2007/08 the authority made payment of £2.107m to RM Plc and is committed to making payments estimated at £2.118m for 2008/09 under the contract with RM Plc for the provision of ICT managed services in ten of the authority's schools. The actual level of payments will be subject to indexation and RM Plc's performance in providing services but in any event should not exceed £2.2m. The contract expires in 2013/14.

The council is committed to make payments to Lambeth Lighting Services Ltd, the street lighting PFI contractor. The contract is for a period of 25 years and the first four years will see the majority of the government's £17.2m funding spent on capital improvements. This will include upgrading or replacing all residential street lighting not meeting current standards and installing additional lighting, particularly in high crime areas. For 2007/08 these payments amounted to £1.966m and will rise to approximately £2.778m in 2008/09. Payments will revert to £2.594m per annum from 2009/10 until 2030/31, the final year of the contract, when the charge will be £1.954m.

The Streatham Joint Service Centre, (JSC) opened at Gracefield Gardens in January 2008. The JSC is a partnership project with the Lambeth PCT being based in their building. The services provided cover a wide range of Council services including the full range of customer contact facilities and Adult services. The contract with the PCT commenced in October 2007 and the Council is expecting to be invoiced for £201,000 for 2007/08. The full-year annual charge for 2008/09 is expected to be around £210,000, and this may rise with inflation.

2. Street Market Operations

Income from market operations arise from the issue of annual licences to stall holders and casual market traders at all markets currently operated by the Council. Expenditure includes the cost of providing facilities for markets, erection and taking down of stalls where applicable and the collection of rents from market traders.

	2006/07 £'000	**2007/08** **£'000**
Income	472	**467**
Expenditure	471	**467**
Surplus	1	**0**

3. Council's Publicity Expenditure

The Council's Publicity Expenditure is set out below, under the requirements of Section 5(l) of the Local Government Act 1986.

	2006/07 £'000	**2007/08** **£'000**
Recruitment advertising	557	**683**
Other advertising	81	**8**
Promotions and other publicity	661	**575**
	1,299	**1,266**

4. Building Control Trading Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – "details of scheme for setting charges". However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The table shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account 2007/08	Chargeable	Non-Chargeable	Total Building Control
Expenditure	£'000	£'000	£'000
Employee expenses	735	184	919
Premises	0	0	0
Transport	8	2	10
Supplies and services	63	16	79
Third-Party Payments	28	7	35
Central & support charges	130	33	163
	964	242	1,206
Income			
Building Regulation charges	(1,030)	0	(1,030)
Income	(160)	0	(160)
	(1,190)	0	(1,190)
(Surplus)/deficit for the year	**(226)**	**242**	**16**

Building Regulations Charging Account 2006/07	Chargeable	Non-Chargeable	Total Building Control
Expenditure	£'000	£'000	£'000
Employee expenses	674	169	843
Premises	4	1	5
Transport	7	2	9
Supplies and services	109	27	136
Third-Party Payments	79	20	99
Central & support charges	56	14	70
	929	233	1,162
Income			
Building Regulation charges	(901)	0	(901)
Miscellaneous income	(131)	0	(131)
	(1,032)	0	(1,032)
(Surplus)/deficit for the year	**(103)**	**233**	**130**

5. Agency Income and Expenditure

a) The Council acts as an agent for Thames Water Utilities Limited in its capacity as a Local Housing Authority, whereby the Council collects charges on behalf of Thames Water, and the transactions are as shown below.

	2006/07 £'000	**2007/08** **£'000**
Charges receivable	7,245	**7,151**
Amount paid to Thames Water	5,986	**5,259**
Collection cost	1,259	**1,892**

b) The council acts as an agent for the Primary Care Trust, whereby the council pays the Care Providers gross and then collects the Nursing Care element from the PCT. This arrangement started in April 2004. (In 03/04 Care Providers invoiced the PCT directly).

The transactions for 2007/08 are shown below, and include 4 types of services namely Older Persons, Physical Disabilities, Learning Disabilities and Mental Health.

	2006/07	**2007/08**
	£'000	**£'000**
Nursing Care cost	1,179	**1,519**
PCT Contribution	1,179	**1,519**

c) Lambeth Council acts as billing authority for the Waterloo Quarter Business Alliance, a Business Improvement District, which came into effect on 1 April 2006 (previously it was funded by regeneration grant as a pilot scheme known as Circle Waterloo). Under this arrangement, in 2007/08 £276k of income was raised on behalf of WQBA, of which £16k was reimbursed to meet the costs of collection (£257k in 2006/07, and £19k). The Council does not incur any liabilities as a result of this agreement.

6. Local Authorities (Goods and Services) Act 1970

The Council recoups Statemented Special Education Needs' costs from other Local Education Authorities in accordance with the Local Authorities (Goods and Services) Act 1970. This amounted to £1.927m in 2007/08 (£1.734m in 2006/07) and the related expenditure was £2.631m in 2007/08 (£3.873m in 2006/07).

Under the provisions of the same act, Westminster City Council are expected to charge Lambeth approximately £221,000 for cost relating to the Golden Jubilee Footbridge in 2007/08 (£133,000 in 2006/07).

7. Pooled Budgets under s31 Health Act 1999

The Council has one such scheme. The Adult Learning Disabilities (ALD) is in partnership with Lambeth PCT with the Council becoming accountable to the PCT for the discharge of its (the PCT's) statutory commissioning obligations. The gross income and expenditure is shown below.

	2006/07	**2007/08**
	£'000	**£'000**
Income		
From LB Lambeth	22,284	**22,407**
From Lambeth PCT	8,836	**9,672**
	31,120	**32,079**
Expenditure	31,120	**32,079**

8. Members' Allowances

Members' Allowances in respect of their duties were as follows:

	2006/07	**2007/08**
	£'000	**£'000**
Basic allowance	540	**646**
Special responsibility allowance	310	**447**
	850	**1,093**

9. Parking Places Revenue Account 2007/08

Surpluses made on the Parking Reserve Account must be used on defined transport schemes, unless deficits have been incurred in the previous four financial years, in which case the contributions made by the General Fund can be recovered.

	2006/07 £'000	**2007/08 £'000**
Income	(21,794)	**(36,774)**
Expenditure	13,241	**24,641**
Surplus for the year	(8,553)	**(12,133)**
Use of Surplus		
Concessionary Fares	2,500	**2,500**
Road Safety	213	**222**
Other Highways Expenditure	2,855	**4,233**
Transport & Highways Maintenance	888	**3,255**
Structural Maintenance inc. Footways & Carriageways	1,455	**1,567**
Transport Planning	355	**309**
Aids to Movement, Furniture & Fittings	196	**48**
Lighting excl. PFI and energy costs	77	**1**
Repairs & Maintenance	14	**(2)**
Contributions to General Fund	0	**0**
(Surplus)/Deficit for year	0	**0**

10. Remuneration Details

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more were, in bands of £10,000:

	Number of employees	
Remuneration band	2006/07	**2007/08**
£50,000-£59,999	142	185
£60,000-£69,999	58	59
£70,000-£79,999	38	46
£80,000-£89,999	20	15
£90,000-£99,999	7	18
£100,000-£109,999	2	1
£110,000-£119,999	1	2
£120,000-£129,999	0	2
£130,000-£139,999	4	0
£140,000-£149,999	0	1
£150,000-£159,999	1	4
£160,000-£169,999	0	0
£170,000-£179,999	0	1
£180,000-£189,999	0	0
£190,000-£199,999	1	0
£200,000-£209,999	0	0
£210,000-£219,999	0	1

11. Related Party Transactions

During the year no Council members, chief officers nor their close relations or members of the same household have declared any related party transactions other than those disclosed below. The numerical value shown is the value (£'000) of the transactions between the council and the stated body in the year.

Councillor	Related Party	Nature of relationship
D Marchant	Streatham Youth & Community Trust (137)	Trustee (No financial dealings)
	Streatham Darby & Joan Club (37)	Trustee (No financial dealings)
K McHugh	Waterloo Community Development Group (47)	Partner is Director
J Meldrum	Clapham Park Project (8,574)	Director (until May 2007)
	Regenesys (9)	Cllr and husband are Directors
F Nosegbe	Clapham Park Project (8,574)	Board member
A Sawdon	Oasis Children's Venture (165)	Position of influence

Director	Related Party	Nature of relationship
M Suarez	London Authority Mutual Limited (100)	Member of Board of Directors (unremunerated representative of Council)

The following Members failed to complete their Related Party Transactions declarations

Cllr Nigel Haselden
Cllr Sam Townend
Cllr Christiana Valcarcel

12. Audit Fees

Audit Fees paid to the Audit Commission amounted to £0.900m (£0.698m for statutory audit and inspection fees, and £0.202m for grant claim certification) In 2006/07 the total paid was £0.902m (£0.656m for statutory audit and inspection fees, and £0.246m for grant claim certification).

Notes to the Balance Sheet

1. Summary of capital expenditure and fixed asset disposals

	Operational £000					Non-Operational			Total	Intangible Assets	Revised Total
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community	Investments	Surplus	Assets Under Construction			
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening GBV - 1 April 07	**1,698,317**	**423,160**	**15,104**	**82,844**	**14,557**	**67,389**	**7,678**	**4,765**	**2,313,814**	**28,129**	**2,341,943**
Movement in 2007/08											
Restatement	20,698	(3,599)	(8,311)	1,378	(9,727)	(546)	(2,130)	(1)	**(2,238)**	(680)	**(2,918)**
Identified Assets	0	94,615	7,350	0	11,872	0	10,679	5,305	**129,821**	794	**130,615**
Eliminated Assets	0	(106,459)	(282)	0	(4,716)	(55,376)	(868)	(4,201)	**(171,902)**	(1,859)	**(173,761)**
Reclassifications	(19,852)	29,599	0	0	0	(11,467)	0	1,720	**0**	0	**0**
Additions	47,592	16,403	27	8,474	5,572	0	516	35,304	**113,888**	4,525	**118,413**
Disposals	(27,030)	(30,756)	0	0	0	0	0	0	**(57,786)**	0	**(57,786)**
Revaluations - Other	14,182	29	0	0	0	0	0	0	**14,211**	0	**14,211**
Revaluations - Certfied	144,159	170,202	0	0	0	0	0	0	**314,361**	0	**314,361**
Impairments - Other	(78,593)	(21,048)	0	0	0	0	0	0	**(99,641)**	0	**(99,641)**
Impairments - Certified	0	(105,581)	0	0	0	0	0	0	**(105,581)**	0	**(105,581)**
GBV at 31 March 2008	**1,799,473**	**466,565**	**13,888**	**92,696**	**17,558**	**0**	**15,875**	**42,892**	**2,448,947**	**30,909**	**2,479,856**
Opening Depreciation	**(22,964)**	**(8,254)**	**(3,805)**	**(13,182)**	**(9,622)**	**(4,262)**	**(784)**	**0**	**(62,873)**	**(12,557)**	**(75,430)**
Restatement	1,866	(27,211)	548	2,655	5,329	(5,256)	640	275	**(21,154)**	(141)	**(21,295)**
Identified Assets	0	(1,670)	(3,675)	0	(592)	0	0	0	**(5,937)**	(397)	**(6,334)**
Eliminated Assets	0	20,746	0	0	4,265	8,412	144	0	**33,567**	16	**33,583**
Reclassifications	1,871	(2,702)	0	0	0	1,106	0	(275)	**0**	0	**0**
Depreciation in year 0708	(22,167)	(11,172)	(2,677)	(2,105)	(115)	0	0	0	**(38,236)**	(6,653)	**(44,889)**
Revaluations - Other	125	2,098	0	0	0	0	0	0	**2,223**	0	**2,223**
Revaluations - Certfied	19,602	10,361	0	0	0	0	0	0	**29,963**	0	**29,963**
Impairments - Other	372	163	0	0	0	0	0	0	**535**	0	**535**
Impairments - Certified	0	419	0	0	0	0	0	0	**419**	0	**419**
Disposal	0	0	0	0	0	0	0	0	**0**	0	**0**
Closing Depreciation	**(21,295)**	**(17,222)**	**(9,609)**	**(12,632)**	**(735)**	**0**	**0**	**0**	**(61,493)**	**(19,732)**	**(81,225)**
NBV at 31 Mar 2007	**1,675,353**	**414,906**	**11,299**	**69,662**	**4,935**	**63,127**	**6,894**	**4,765**	**2,250,941**	**15,572**	**2,266,513**
NBV at 31 March 2008	**1,778,178**	**449,343**	**4,279**	**80,064**	**16,823**	**0**	**15,875**	**42,892**	**2,387,454**	**11,177**	**2,398,631**

Properties are included in the balance sheet as per the Statement of Asset Valuation Principles and Guidance notes issued by the Royal Institute of Chartered Surveyors (RICS).

All the Council's property assets are valued on 5-yearly cycle. Assets managed by each of the 4 holding departments are valued at least once within the 5-year period. The last valuation was carried out on 1 April 2007. These valuations were carried out by Erinaceous – a firm of Chartered Surveyors. The firm also carried out the yearly revaluations of the Council Dwelling stock, which they have done since 2005/06.

Under the terms of the Council's contracts with both its Street Lighting PFI contractor and Lilian Baylis School PFI contractor the assets in use under the contract will revert to the Council at the end of the contract. To reflect the value of these assets, the Council builds up a residual asset over the life of the contract by assigning part of the Council's unitary payment to the creation of this asset. The balance is built up in Other Land & buildings and Vehicles, Plant & Equipment.

The Council has conducted a thorough exercise to validate the data held on the fixed asset register. Existing data was checked and matched against other sources, such as Insurance, legal and NNDR records and lists were sent to services for verification of assets held. Assets that were recorded and identified as no longer owned were written out of the books and previously unrecognised assets were included. This treatment has had an impact on the Revaluation Reserve (note 6).

A number of accounting entries were required as a result of this exercise. Identified assets were debited to Fixed Assets and credited to the revaluation reserve whilst eliminated assets were recognised as impairments in the I&E as was the difference between the Fixed Asset Register and the balance sheet.

Recognition of newly identified assets

Debit Account	Credit Account	£'000
Fixed Assets	Revaluation Reserve	124,280

De-recognition of assets no longer owned

Debit Account	Credit Account	£'000
Impairments I&E	Fixed Assets	140,178

Difference between fixed asset register and balance sheet

Debit Account	Credit Account	£'000
Impairments I&E	Fixed Assets	40,296

Neutralisation of impairment loss on General Fund bottom line

Debit Account	Credit Account	£'000
Capital Adjustment Account	Statement of movement on the General	180,474

2. For each class of tangible fixed assets included in the balance sheet at current value the impact of the rolling programme of revaluation of fixed assets is as follows

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. The valuations, including Council Dwelling Stock, were carried out by Erinacaeous (Chartered Surveyors). The basis for valuation is set out in the statement of accounting policies.

	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant & £'000	Investment properties £'000	Total £'000
Valued at historical cost	0	0	4,279	0	**4,279**
Valued at current value in					
2007/08	1,778,178	449,343	0	0	**2,227,521**
2006/07	1,675,353	414,906	0	63,127	**2,153,386**
2005/06	1,542,700	365,928	0	62,034	**1,970,662**
2004/05	2,774,399	346,930	0	60,101	**3,181,430**
2003/04	3,001,089	398,483	0	91,508	**3,491,080**
2002/03	2,966,413	401,545	0	71,989	**3,439,947**

As part of the data cleansing exercise there was a reclassification of assets between Investment properties and Other Land & Buildings

3. Information on tangible fixed assets held

Analysis of the Council's assets as at 31 March.

	2007	2008
OPERATIONAL ASSETS		
Council dwellings	27,196	**26,536**
Hostels	33	**31**
Garages	10,629	**6,187**
Car Park Spaces	0	**2,872**
Store Sheds	0	**666**
Other land & buildings	0	**0**
Adult education institutes	3	**1**
Car parks	1	**7**
Cemeteries and crematoria	6	**5**
Clocks	6	**0**
Community centres	32	**50**
Conveniences	10	**0**
Day centres/lunch clubs	37	**27**
Depots & workshops	29	**8**
Kitchens	1	**1**
Libraries	11	**10**
Neighbourhood management offices	20	**12**
Nurseries	26	**32**
Offices	29	**22**
Pools	4	**0**
Public halls	14	**5**
Refuse disposal units	0	**0**
Residential homes	14	**0**
Schools	60	**61**
Sports centres	4	**7**
Sports pitches	5	**2**
Support centres	2	**0**
Surgeries	15	**6**
Teaching centres	0	**1**
Town hall	1	**1**
Youth centres	5	**6**
Vehicles		
Recycling equipment	0	**2**
Street Lighting	0	**2**
CCTV	0	**8**
Other equipment	0	**48**
Infrastructure		
Roads	323.8 miles	**323.8**
Bridges	5	**10**
Community assets		
Parks & open spaces	246 acres	**246 acres**
NON-OPERATIONAL ASSETS		
Public Conveniences	14	**17**
Commercial property		
Garages	8	**0**
Miscellaneous	172	**62**
Offices	6	**0**
Public houses	3	**2**
Shops	304	**323**
Industrial	1	**0**
Surplus assets	6	**5**

4. Intangible Assets

Balances of Intangible Assets are as follows:

	Software £'000	Total £'000
Gross book value at 31 Mar 2007	28,129	**28,129**
Accumulated amortisation and impairment	(12,557)	**(12,557)**
Net book value at 31 Mar 2007	**15,572**	**15,572**
Movement in 2007/08		
Restatement	(2,267)	**(2,267)**
Reclassifications	0	**0**
Additions	4,525	**4,525**
Amortisation	(6,653)	**(6,653)**
Transfers	0	**0**
NBV at 31 March 2008	**11,177**	**11,177**

Software licences have been recognised as Intangible assets at historic cost and are being amortised over 4 years using the straight-line method.

5. Financing of capital expenditure

	2006/07 £'000	2007/08 £'000
Opening Capital Financing Requirement	688,371	**666,764**
Adjustment to opening balance	0	**0**
Adjusted opening Capital Financing Requirement	*688,371*	***666,764***
Capital investment		
Intangible Assets	7,269	**4,525**
Tangible Assets	73,742	**113,888**
Deferred Charges	30,982	**29,102**
Expenditure below de minimus	0	**(47)**
Sources of finance		
Government grants	(47,174)	**(55,658)**
Capital receipts	(30,522)	**(67,124)**
Section 20 contribution	(4,265)	**(1,408)**
Developers' contribution	(1,581)	**(301)**
Direct revenue financing (including MRR)	0	**(6,459)**
Minimum Revenue Provision (MRP)	(10,180)	**(8,771)**
Balance of ILEA debt	9,237	**0**
Overhanging debt repayment	(53,486)	**(10,418)**
Commutation adjustment	4,371	**3,961**
Closing Capital Financing Requirement	666,764	**668,054**

Explanation of movements in year		
Increase in underlying need to borrow linked to capital expenditure (supported by financial assistance) - SCE(R)	22,642	**16,514**
Increase in underlying need to borrow linked to capital expenditure (unsupported by financial assistance)	0	
Other changes in underlying need to borrow	(44,249)	**(15,224)**
(Decrease) / Increase in capital financing requirement	(21,607)	**1,290**

6. Revaluation Reserve

The revaluation reserve is a new reserve which records the unrealised net gain from revaluations after 1 April 2007. The total is made up of individual balances associated with specific assets and is equal to the difference between the current Net Book Value and the historic cost Net Book Value for all assets.

	2007/08 £'000
Balance brought forward 1 April	**0**
Upward revaluations	**448,930**
Impairments reversed through the R/R	**(135,682)**
Disposal of Fixed Assets	**(38,655)**
Depreciation	**(9,325)**
Balance carried forward at 31 March	**265,268**

7. Capital Adjustment Account

This is a new account whose opening balance represents amounts that were previously held on the Fixed Asset Restatement Account and the Capital Financing Account. Additionally the opening balance includes an adjustment to asset values to bring them in line with those held on the Fixed Asset Register following a data cleansing exercise. The account records: - (a) the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets; (b) the historical cost of deferred charges over the period that the authority benefits from the expenditure and (c) the resources set aside by the authority to finance capital expenditure.

	2007/08 £'000
Capital Adjustment Account opening balance	**1,595,512**
Capital Financing:	
Capital Receipts Applied	**67,124**
Excess statutory MRP over depreciation	**8,771**
Section 20 Contribution applied	**1,408**
Expenditure charged to Major Repairs Reserve	**5,709**
Amortisation of Deferred Charges - General Fund	**(12,097)**
Amortisation of Deferred Charges - Housing Revenue Account	**0**
Transfer of Government Grants Deferred - General Fund	**10,374**
Transfer of Government Grants Deferred - Housing Revenue Account	**457**
Commutation Adjustment	**(3,961)**
Direct Revenue Financing	**750**
Payment of overhanging debt	**10,418**
PFI Prepayment	**(109)**
PFI Residual value	**879**
Asset Impairment - General Fund	**(166,146)**
Asset Impairment - Housing Revenue Account	**(31,399)**
Asset Depreciation - General Fund	**(20,554)**
Asset Depreciation - Housing Revenue Account	**(24,335)**
Fixed Assets written out	**(57,786)**
Revaluation Reserve depreciation write down	**9,325**
Revaluation Reserve disposals	**38,655**
Balance carried forward 31 March	**1,432,995**

8. Usable Capital Receipts Reserve

- represents the capital receipts available to finance capital expenditure in future years after the payment of any amounts due to the government under the pooling arrangements for receipts from housing properties.

	2006/07 £'000	2007/08 £'000
Balance brought forward 1 April	86,936	**77,498**
Capital Receipts	36,235	**57,596**
Use of capital receipts in year		
Payment to ODPM – Contribution to pooled capital receipts	(15,151)	**(15,723)**
Financing of capital expenditure	(30,522)	**(67,124)**
Balance carried forward 31 March	77,498	**52,247**

9. Commitments under Capital Contracts

at 31 March 2008 are:

	£'000
Regeneration and Housing	**34,480**
Adults' and Community Services	**1,523**
Children and Young People's Services	**166,285**
Strategy and Corporate Services	**300**
Environment, Culture and Community Safety	**61,204**
Finance & Resources	**40**
Total	**263,832**

10. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is a new account that serves the purpose of holding the differences between statutory requirements and proper practices for borrowings and investments.

	£'000
Balance on FIAA b/f	**0**
Transfer of premiums and discounts balance at 31 Mar 2007	**953**
Transfer of premiums and discounts from the Capital Adjustment Account	**6,313**
Amortise premiums-GF	**(11)**
Amortise premiums-HRA	**(2,780)**
Balance on FIAA c/f	**4,475**

11. Leases a) disclosure by Lessees

The authority was committed at 31 March 2008 to making payments of £2.562m under operating leases, comprising the following:

	Vehicles, Plant & Equipment £'000	Land & Buildings £'000
Leases expiring:		
in 2008/09	**106**	**113**
between 2009/10 and 2012/13	**172**	**215**
after 2012/13	**0**	**1,956**

Vehicles, Plant, Furniture and Equipment - The Council holds some office equipment and vehicles under operating leases. Total lease rentals paid during the year amounted to £0.453 million (2006/07 = £0.440 million).

Land and Buildings - The Council has various assets, principally its main offices, held as operating leases. The rentals payable in 2007/08 were £2.33m (£2.17m in 2006/07)

11. Leases b) disclosure by Lessors

Council as Lessor. The Council acts as a lessor on a large portfolio of commercial properties, for which the rentals for 2007/08 amounted to £4.3m (£4.9m in 2006/07). The gross value of these assets on the balance sheet is £53.5m with accumulated depreciation of £2.7m.

12. United Residents Housing Limited

The Council is the sole member of United Residents Housing Limited (URH), an Arm's Length Management Organisation which was incorporated on 31 May 2007 URH is a controlled company of the Council, and is a company limited by guarantee.

There is a management agreement between URH and the Council which provides that URH will manage part of the delegated budgets within the HRA for capital expenditure and planned maintenance. The management fee paid to United Residents Housing in 2007/08 was £380k. The Council has determined that the transactions with URH are not of a material nature and therefore there is no requirement to incorporate in group accounts.

13. The Council's Financial Instruments consist of:

	Long-term 31-Mar-07 £'000	31-Mar-08 £'000	Current 31-Mar-07 £'000	31-Mar-08 £'000
Financial liabilities at amortised cost	(686,386)	**(686,481)**	(113,435)	**(121,274)**
Total borrowings	(686,386)	**(686,481)**	(113,435)	**(121,274)**
Loans and receivables	1,085	**922**	343,757	**364,228**
Total Investments	1,085	**922**	343,757	**364,228**

The balance on the current category of financial liabilities consists of certain elements only of creditors. The reason for exclusions is that many sections of creditors relate to statutory functions, not contractual arrangements as covered by the new Financial Reporting Standards.

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and certain elements of debtors. The short-term loans amount to £283m at 31st March 2008 and £262m at 31st March 2007.

Impairment (credit) losses on receivables are recorded in the table below.

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	**Rent Debtors £'000**	**Sundry Debtors £'000**	**Total £'000**
Balance as at 31 March 2007	16,863	4,510	21,373
Write-offs	(1,056)	(707)	(1,763)
Set up	1,163	656	1,819
Balance as at 31 March 2008	**16,970**	**4,459**	**21,429**

In impairing the assets above the age of the debts was taken into account. An ageing analysis is disclosed in note 15 to the balance sheet.

The authority has no financial assets of significance that are past due but not impaired and neither does it hold assets that have credit enhancements.

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes 15 and 19. These notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

The comparison with fair value where there is a material difference is given below:

	31-Mar-07 Carrying amount £'000	Fair value £'000	**31-Mar-08 Carrying amount £'000**	**Fair value £'000**
Financial liabilities	686,386	797,882	**686,481**	**858,421**

The fair value is higher than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the rates for similar loans at the balance sheet date. This commitment to pay interest above the market increases the amount the authority would have to pay if the PWLB agreed to early repayment of the loans.

14. Disclosures regarding Financial Instruments consist of:

The authority's activities expose it to a variety of financial risks:
credit risk – the possibility that other parties might fail to pay amounts due to the authority
liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make
market risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by London Borough of Lambeth in the annual treasury management strategy. The London Borough of Lambeth provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the authority's customers. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of F1 short-term rating, A+ long-term rating, support rating level 3 and individual rating B/C, with limits set for each borrower based on the rating score. The authority has a policy of lending specified in detail within the Annual Treasury Management Strategy Report which is approved by the Council.

The table below show a summary of institutions with whom the Council has deposits.

	Amount at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions at 31 March	Estimated exposure to default and uncollectibility
	£'000	%	%	£'000
Deposits with banks and financial institutions:				
Banks	77,641	None	None	None
Building Societies	199,541	None	None	None

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The strategy is to ensure that not more than 5% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than one year	0
Between one and two years	0
Between two and five years	8,882
More than five years	677,599
	686,481

Market risk—Interest rate risk

The authority is not exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments, which are on fixed terms. Movements in interest rates would not have significant impact on the authority:

- borrowings at variable rates – the authority has no variable rate loans
- borrowings at fixed rates – will generate an impact if early repayment or new borrowings are undertaken
- investments are all at fixed rates.
- investments at fixed rates – the fair value of the assets are unlikely to be impacted.

Borrowings are not carried at fair value, since they are measured at amortised cost and this is deemed to be the face value of the borrowing if from PWLB. If interest rates fall, then it renders the fair value of the long-term borrowings greater. In summary, nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL.

However, changes in interest receivable on fixed rate short-term investments, which move in parallel with the money markets, will be reflected in the Income and Expenditure Account and affect the General Fund Balance £ for £.

The authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 30% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses and to maximise the benefit to the Authority. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provides compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

15. Debtors

	31-Mar-07		**31-Mar-08**	
	£'000	£'000	**£'000**	**£'000**
Government grants	15,769		**17,429**	
Provision for bad debts	0	15,769	**0**	**17,429**
Rents (HRA and non-HRA)	34,590		**35,705**	
Provision for bad debts	(16,864)	17,726	**(16,969)**	**18,736**
Housing Benefit Overpayment	17,997		**17,402**	
Provision for bad debts	(15,677)	2,320	**(15,373)**	**2,029**
Non-Domestic Ratepayers	7,356		**6,162**	
Provision for bad debts	(2,856)	4,500	**(2,662)**	**3,500**
Community Chargepayers	11,815		**2,139**	
Provision for bad debts	(9,621)	2,194	**(3)**	**2,136**
Council Taxpayers	47,440		**49,355**	
Provision for bad debts	(27,550)	19,890	**(29,800)**	**19,555**
Sundry debtors	45,428		**51,272**	
Provision for bad debts	(4,510)	40,918	**(9,271)**	**42,001**
HMRC	5,369		**7,934**	
Possible overstatement	(500)	4,869	**(500)**	**7,434**
Parking debtors	N/A		**19,280**	
Provision for bad debts	N/A	0	**(13,025)**	**6,255**
Right to buy service charges		412		**1,100**
Non-Domestic Rating pool		115		**3,382**
Payments in advance		4,310		**8,203**
Other		9,808		**0**
Pension Fund		15,803		**19,590**
TOTAL		138,634		**151,350**

Reconciliation of provision for Bad Debt Account	**£'000**
Balance as at 31 March 2007	77,578
Write-offs	(21,815)
Set up	31,840
Balance as at 31 March 2008	**87,603**

Aged Analysis of Financial Assets (excluding Investments)	**Rents £'000**	**Sundry Debt £'000**	**RTB Service Charges £'000**	**Pension Fund £'000**	**Total £'000**
Current	1,957	12,944	2	19,590	34,493
0 to 6 months	9,952	6,684	183	0	16,819
6 to 12 months	7,861	6,232	58	0	14,151
Over 1 year	15,935	25,412	857	0	42,204
Total as at 31 March 2008	**35,705**	**51,272**	**1,100**	**19,590**	**107,667**

16. Long-Term Debtors

Mortgage loans are loans given to individuals, including those exercising their right to buy their council house and to Housing Associations to help them purchase housing property. Loans outstanding were as follows:

	31-Mar-07 £'000	**31-Mar-08 £'000**
Individuals		
Right to buy	723	**564**
Other	24	**24**
Housing Associations	333	**329**
	1,080	**917**

17. Deferred Capital Receipts

These are amounts derived from the sale of assets which have not been received at the time of sale but will be paid by instalment over a set period. They arise principally from mortgages on the sale of council houses which form part of the mortgages under long-term debtors. Amounts held under s106 are also disclosed here. The figures for 2006/07 and 2007/08 were £790,000 and £626,000 respectively.

18. Deferred Premiums on the early repayment of debt

The Council transferred some of its housing stock to Housing Associations during 2007/08 and the government repaid £10,418k of the Council's debt as a result. This repayment incurred £2,666k (net) of premiums and discounts which were also paid by the government. The full value has been reflected in the Income and Expenditure Account in accordance with the SORP and the Council's accounting policy. Grant income equal to the charge has also been included in the Income and Expenditure Account so there is no impact on either the general fund or HRA balances. This presentation reflects the substance of this transaction in accordance with FRS 5.

19. Creditors:

	31-Mar-07 £'000	**31-Mar-08 £'000**
Government grants	23,409	**30,676**
Rents	6,610	**6,983**
NNDR payers	3,685	**4,830**
Community charge payers	2,156	**2,129**
Council Taxpayers	13,236	**10,401**
Sundry creditors	106,626	**114,064**
PAYE/NI	5,088	**5,073**
Receipts in advance	1,403	**4,627**
Interest payable	0	**0**
Other	199	**228**
	162,412	**179,011**
Trust Funds	413	**527**
	162,825	**179,538**

20. Other Reserves

	Balance at 31 March 2007 £'000	Transfers in £'000	Transfers out £'000	**Balance at 31 March £'000**
Revenue Reserves				
Insurance fund	11,283	187	(11,470)	**0**
Insurance fund - HRA	4,043	536	(4,579)	**0**
BSF	1,471	0	0	**1,471**
Earmarked c/fwds	2,563	5,349	(2,563)	**5,349**
General contingency	4,000	0	(1,156)	**2,844**
EDFR/CE contingencies	1,243	757	0	**2,000**
Capital Funding Gap	1,000	1,750	(750)	**2,000**
Future Lambeth	242	0	0	**242**
Dilapidations	1,500	2,000	0	**3,500**
Litigation fund	500	0	0	**500**
UDP	400	0	(400)	**0**
Pensions disputes	350	0	(350)	**0**
Oracle reserve	300	1,200	0	**1,500**
Pension Fund	3,000	1,000	0	**4,000**
PFI Smoothing Reserve	1,389	1,431	0	**2,820**
Reorganisation	2,600	0	0	**2,600**
HB Operations	2,000	0	(2,000)	**0**
CCTV Renewals	587	192	0	**779**
Single Status Reserve	2,000	0	(469)	**1,531**
Other	131	156	0	**287**
Total revenue reserves	40,602	**14,558**	**(23,737)**	**31,423**

The Insurance Fund has been transferred to Provisions.
The Building Schools for the Future (BSF) balance is earmarked for revenue costs associated with the BSF
Earmarked carry-forwards are to finance expenditure that had been committed but not yet incurred as at balance sheet date.
The General Contingency reserve is to meet unforeseen items of expenditure of an exceptional nature. A contingency of 1% of the net revenue budget (based on the preceding financial year) is appropriate.

Chief Officers' contingencies are set aside to permit prompt expenditure, within delegated limits, where circumstances require it.

The Capital Funding Gap reserve is set aside to meet potential risks in the Capital Programme.

The Revitalise reserve is now re-branded as Future Lambeth. It contains a number of project risks, against which a fund of £0.242m is appropriate.

The Dilapidations reserve is set aside to meet unforeseen costs arising from previous shortfalls in repairs and maintenance.

The Litigation Fund is set aside to enable the council to obtain high-quality legal advice, where circumstances require, and where the cases in question could not reasonably be budgeted for.

The Oracle reserve is for the cost of implementing the next major release of the Council's ERP solution.

The Pension Fund reserve has been established to provide a source of funds to tackle any deficit on the pension fund identified during the actuarial valuation.

The PFI smoothing reserve operates to even out the flow of income and payments over the life of its PFI contracts.

A Reorganisation reserve has been created to fund costs that may arise during planned and major departmental restructuring.

The HB Operations reserve existed to meet one-off expenditure needed to improve the quality of the benefits service. It is no onger required.

The CCTV Renewals reserve exists to provide for the renewal and replacement of the Council's CCTV

Single Status - Following an assessment of the potential risk the council needs to set aside £1.531m against the potential costs of the pay and grading review.

Other reserves under £500,000 are established for various minor miscellaneous funds.

21. Funds and Other Reserves

The Council acts as trustee for various funds including bequests and legacies, comfort funds and individual trusts. The main trusts are:

	Balance at 31 March 2007	Receipts & Revaluation in year	Payments in year	**31-Mar-08**
	£'000	£'000	£'000	**£'000**
Pedlars Acre	2,046	0	(60)	**1,986**
Cynthia Mosley	741	0	0	**741**
Miscellaneous				
ACS	136	11	(14)	**133**
E&C	49	0	0	**49**
CYPS	226	10	(2)	**234**
	3,198	21	(76)	**3,143**

The Pedlars Acre fund was established by the Pedlars Acre Estate Act 1826 for the benefit of the parish of St Mary, Lambeth.

The Cynthia Mosley fund is to benefit and promote the education and development of children aged 0-5 years receiving day nursery or other comparable provision.

The Adults & Community Services funds are monies held on behalf of clients.

The Environment & Culture funds are monies held on behalf of the deceased.

The Children & Young Peoples Service funds are to fund prizes, outings and activities and monies held on behalf of children in care.

22. Earmarked LMS Balances are as follows:

	31-Mar-07	**31-Mar-08**
	£'000	**£'000**
Underspent school balances	12,865	**16,924**
Overspent school balances	(366)	**(436)**
	12,499	**16,488**

23. Dedicated Schools Grant

The council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families. The Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2007/08 are as follows:

	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Underspend brought forward from 2006/07	(3,569)	0	(3,569)
Original grant allocation to Schools Budget for current year in the authority's budget	(21,351)	(137,952)	(159,303)
Adjustment to finalised grant allocation	0	0	0
DSG available for the year	(24,920)	(137,952)	(162,872)
Actual expenditure for the year	20,464	137,952	158,416
Underspend for the year	(4,456)	0	(4,456)
Planned top-up funding of ISB from Council	0	0	0
Use of school balances brought forward	0	0	0
Underspend carried forward to 2008/09	**(4,456)**	**0**	**(4,456)**

24. Contingent liabilities – the Council has formed its own insurance mutual with 9 other London Boroughs – London Authorities Mutual Limited. The sum of £160,000 has been lodged with the lead authority, Croydon, and the Council has undertaken to provide a guarantee, or 'promise to pay' should an insurer go into liquidation. This comes into effect on 1/4/08 and is estimated to have a monetary value of £609,500. As the likelihood of a call on this sum is extremely low, the Council has not made a provision in its accounts for these costs.

Some Tenant Management Organisations (TMOs) have not accepted the level of their management allowances for 2007/08 and are actively pursuing a revision of the calculation with the Council. The amount under discussion is estimated to total a maximum of £5m, including sums from previous years. The Council does not consider that there is a strong case to revise the allowances.

25. Events after the Balance Sheet date

On 28th March 2008 the Secretary of State gave approval under Section 27 of the Housing Act 1985 for the Council to appoint an arms length management organisation to exercise housing management functions including the transfer of 454 staff. The formal transfer of responsibility took place on 30 June 2008 to Lambeth Living, a wholly-owned company of the Council. The management fee for 2008/09 was set at £19.896m.

On 31 March 2008 the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, statutory instrument 2008 No. 414 came into force. This enabled the council to reverse the impact of Adjustment A. It is a general power that applies equally to all local authorities. The effect of the regulations was to allow the council to return around £23m to its general fund balances. As this legislation came into force late in 2007/08, the council decided to delay this transfer (as is its right) until the 2008/09 financial year.

26. Provisions:

	Balance at 31 March 2007	Receipts in year	Payments in year	**Balance at 31 March 2008**
	£'000	£'000	£'000	**£'000**
Insurance fund	0	10,589	0	**10,589**
Insurance fund - HRA	0	4,117	0	**4,117**
HB losses	9,420	3,000	(5,531)	**6,889**
S117	3,880	0	(776)	**3,104**
Losses grant claims	5,062	559	(3,596)	**2,025**
Continuing Care	0	1,000	0	**1,000**
Dilapidations	312	100	(212)	**200**
People with no recourse to public funds	300	2,000	0	**2,300**
Kerrin Point	150	0	(150)	**0**
De Menezes Inquest	0	1,500	0	**1,500**
Planning Appeals	250	750	0	**1,000**
Other	580	0	(380)	**200**
TOTAL	19,954	23,615	(10,645)	**32,924**

The economic benefit of provisions held is expected to transfer during the 2008/09 financial year although the exact timing of the transfer cannot be anticipated, except where otherwise stated.

The purpose of each provision is set out below:

The Insurance Fund was previously held as a Reserve. It holds the balance set aside for potential liabilities in respect of insurable items for which the Council has elected to self-insure and for payments that fall within the insurance excesses. The known liabilities are assessed as £14.7m.

HB losses – The existing reserves and provisions have been merged to create one fund, valued at £6.889m to meet potential losses arising from the audit of housing benefit subsidy claims.

S117 of the Mental Health Act – No claims have emerged in 2007/08, and each year the chance diminishes. This fund is therefore being written down on a 20% reducing balance basis each year (to include the effect of any claims paid).

Losses on grant claims – for potential losses arising from the audit of the council's claims for specific government grants and housing subsidy

Continuing Care – This provision covers two related issues: A) the need to reimburse clients who may have been charged incorrectly since new legislation came into effect on 1st October 2007; and B) potential liability for claims arising before that date relating to the failure to make appropriate assessments of care needs (case law [Grogan] which has since been subsumed within the new legislation).

Dilapidations – for likely charges in respect of the termination clauses on a property leased by the council.

People with no recourse to public funds – An integrated service is being established, with controlled budgets, but until this is normalised it is appropriate to retain a contingency. £2.3m provides against one year's expenditure, on current baselines, and is therefore appropriate until such time as the national funding situation is resolved.

Kerrin Point – for legal costs arising from the explosion in this block of flats in 2001/02 - no longer required

De Menezes Inquest - Coronor Court costs to be met by Lambeth, Southwark, Lewisham and Greenwich

Planning Appeals – possible legal costs where planning decisions are subject to legal appeal

Other – miscellaneous amounts to cover assessed losses and probable unbilled charges.

27. Retirement Benefits

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

Teachers employed by the authority are members of the Teachers Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2007/08 the Council paid £9.15m to the TPA (£8.3m in 2006/07), representing 14.1% of pensionable pay (13.6% in 2006/07). Although, the Teachers' Pension Scheme is a defined benefit scheme, due to it being impossible to identify the Council's share of the underlying liabilities in the scheme attributable to its own employees, it is accounted for on the same basis as a defined contribution scheme.

Non-teaching staff employed in schools belong to a Local Government Pension Scheme run by the London Pensions Fund Authority (LPFA). The Council made contributions of £0.50m in 2007/08 (£0.49m in 2006/07), equal to 18.8% of payroll, and a further contribution of £0.28m in respect of unfunded benefits (£0.29m in 2006/07). The net liabilities of the scheme are £7.922m, which thus becomes a component of the total Pensions Reserve. The equivalent figure for 31 March 2007 was £16.598m. Since these sums are not material with respect to the main Lambeth Pension Fund, the following more complex disclosures relate to the main fund only, so as to avoid inundation with too much detail.

Other staff are eligible to join the Lambeth Pension Fund, which is a defined benefits scheme, meaning that the Council and employees pay contributions into the fund calculated at a level intended to balance the pension liabilities with the fund's assets. Under the projected unit method employed, the current service cost will increase as members approach retirement due to the age profile of the active membership rising.

The cost of retirement benefits in the Net Cost of Services is recognised when earned. However, the charge made against council tax is based on the cash payable in the year. The Income and Expenditure Account included the following transactions relating to the Lambeth Pension Fund:

	2006/07		**2007/08**	
	£'000	% of payroll	**£'000**	**% of payroll**
Service cost	23,200	21.60%	**20,556**	**17.70%**
Past service costs	0	0%	**58**	**0.10%**
Curtailment & settlements	1,100	1.00%	**1,346**	**1.20%**
Total net cost of services	24,300	22.60%	**21,960**	**19.00%**
Expected return on employer assets	(45,100)	42.10%	**51,011**	**43.9%**
Interest on Pension Scheme Liabilities	52,600	49.10%	**(57,267)**	**-49.3%**
Net return	7,500	**7.0%**	**(6,256)**	**-5.4%**
Net charge to Income and Expenditure Account	31,800	29.60%	**28,216**	**24.3%**
Movement on pensions reserve	764		**9,497**	
Actual amount charged against council tax for pensions	32,564		**37,713**	

The Council's estimated share of assets and liabilities as at 31 March in its Pension Fund are as follows:-

	31-Mar-07 £'000	**31-Mar-08** **£'000**
Present value of scheme liabilities	960,600	**868,571**
Present value of unfunded liabilities	106,400	**107,258**
Total liabilities	1,067,000	**975,829**
Estimated Assets	716,300	**695,339**
Net Liability	350,700	**280,490**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £288.412m (which is made up of two elements: that relating to the Lambeth Pension Fund, of approximately £280m, and that relating to the LPFA, of about £8m) has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the pensions' liability mean that the financial position of the Council remains healthy.

Liabilities have been valued by Hymans Robertson, an independent firm of actuaries, based upon their latest triennial valuation as at 31 March 2007. They have used the projected unit method with the following main assumptions as at 31 March:

	31-Mar-07	**31-Mar-08**
Price increases	3.20%	**3.60%**
Salary increases	4.70%	**5.10%**
Pension increases	3.20%	**3.60%**
Discount rate	5.40%	**6.90%**
Proportion of employees opting to take a commuted lump sum	25%	**25%**

The expected returns on the Fund's assets attributable to the Council are:

	Long-term return, 31 Mar 2007 % p.a	Fair value as at 31/3/07 £'000	%	Long-term return, 31 Mar 2008 % p.a	Fair value as at 31/3/08 £'000	%
Equities	7.80%	527,600	74%	7.70%	527,431	75.9%
Bonds	4.90%	117,700	16%	5.70%	113,250	16.3%
Property	5.80%	57,700	8%	5.70%	51,478	7.4%
Cash	4.90%	13,300	2%	4.80%	3,180	0.5%
	7.10%	**716,300**	**100%**	**7.20%**	**695,339**	**100%**

The movement in balances on the Pensions Reserve for both the Lambeth Pension Fund and Lambeth's share of the LPFA during the year are:)

	31/03/2007 £'000		31-Mar-08 £'000	
	LPFA	Lambeth	LPFA	Lambeth
Deficit at Beginning of Year	(18,009)	(408,729)	(16,598)	(350,700)
Actuarial Gains	2,351	58,400	9,373	60,713
Other Movements	(940)	764	(697)	9,497
Rebasing of pension liability	0	(1,135)	0	0
Deficit at End of Year	(16,598)	(350,700)	(7,922)	(280,490)
		(16,598)		(7,922)
Total Pension Reserve		**(367,298)**		**(288,412)**

The actuarial gains and losses identified as movements in the Lambeth Pension Fund component of the Pensions Reserve for the last five years can be analysed as follows, the percentages referring to total assets or liabilities.

	2003/04 £'000	%	2004/05 £'000	%	2005/06 £'000	%	2006/07 £'000	%	**2007/08 £'000**	**%**
Differences between the expected and actual return on assets	59,000	13	21,400	4	98,800	14.8	2,100	0.3	(80,135)	0.3
Differences between actuarial assumptions about liabilities and actual	(15,000)	2	61,500	8	(2,300)	0.2	(5,700)	0.5	(14,934)	0.5
Changes in the demographic and financial assumptions used to estimate liabilities	0		(149,900)	18	(118,300)	12.2	62,000	5.8	155,782	5.8
Actuarial Gain/(Loss)	44,000	6	(67,000)	7	(21,800)	2	58,400	5.5	60,713	5.5

The Statement of Accounts was authorised for issue on 25 June 2008 by the Chief Financial Officer.

Note to the Cashflow Statement

1. Reconciliation of Net Deficit to Cash Inflow from Revenue Activities:-

	2006/07		**2007/08**	
	£'000	£'000	**£'000**	**£'000**
General Fund surplus		(10,991)		**(11,524)**
Collection Fund (surplus) / deficit		(760)		**14**
Housing Revenue Account deficit/(surplus)		4,197		**(1,328)**
Net surplus for the year		(7,554)		**(12,838)**
NON-CASH TRANSACTIONS AND OTHER ADJUSTMENTS				
Minimum Revenue Provision	(10,180)		**(8,771)**	
Transfers (to)/from reserves	(3,783)		**9,180**	
Contribution to provisions	(2,444)		**(12,970)**	
Other items	(67,361)		**809**	
		(83,768)		**(11,752)**
MOVEMENTS IN WORKING CAPITAL				
Increase in debtors	12,860		**12,716**	
Increase in creditors	(14,594)		**(16,713)**	
Increase/(decrease) in stocks	(1)		**0**	
		(1,735)		**(3,997)**
OTHER MOVEMENTS				
Capital expenditure financed from revenue	(766)		**(1,520)**	
Deduct interest received	9,394		**13,760**	
Add interest paid	(41,502)		**(37,504)**	
		(32,874)		**(25,264)**
NET CASHFLOW FROM REVENUE ACTIVITIES		(125,931)		**(53,851)**

2. Analysis of Change in Debt

2007/08	31-Mar-07 £'000	Cash flows £'000	**31-Mar-08** **£'000**
Cash and bank	34,883	6,104	**40,987**
Cash overdrawn	(35,601)	(3,740)	**(39,342)**
Short-term borrowing	0	0	**0**
Long-term borrowing	(686,386)	0	**(686,386)**
Short-term investments	261,885	20,915	**282,800**
Net Debt	(425,219)	23,279	**(401,941)**

2006/07	31-Mar-06 £'000	Cash flows £'000	**31-Mar-07** **£'000**
Cash and bank	43,048	(8,165)	**34,883**
Cash overdrawn	(39,282)	3,681	**(35,601)**
Short-term borrowing	0	0	**0**
Long-term borrowing	(728,835)	42,449	**(686,386)**
Short-term investments	249,509	12,376	**261,885**
Net Debt	(475,560)	50,341	**(425,219)**

3. A reconciliation of the items shown within the financing and management of liquid resources sections of the Cash Flow Statement to the related items in the opening and closing Balance Sheets for the period.

Financing and Management of Liquid Resources—reconciliation with opening and closing balance sheets

	Long-term borrowing £'000	Short-term borrowing £'000	Short-term investments £'000
2007/08			
Balance at 1 April 2007	(686,386)	0	261,885
Repayments of amounts borrowed	0	0	0
New loans raised	0	0	0
Short-term investments made	0	0	830,570
Short-term investments realised	0	0	(809,655)
Balance at 31 March 2008	**(686,386)**	**0**	**282,800**
2006/07			
Balance at 1 April 2006	(739,871)		249,509
Repayments of amounts borrowed	53,485	0	0
New loans raised	0	0	0
Short-term investments made	0	0	1,097,891
Short-term investments realised	0	0	(1,085,515)
Balance at 31 March 2007	**(686,386)**	**0**	**261,885**

The Authority's Liquid Resources are short-term investments (up to 364 days) of cash which is surplus to immediate requirements.

4. Analysis of government grants shown in the Cash Flow Statement.

Analysis of other Revenue Government Grants

	2006/07 £'000	**2007/08 £'000**
Children's Fund	1,083	**1,027**
Children's Services	2,032	**0**
Clapham Park NDC	3,997	**0**
Connected Learning Project PFI	1,744	**1,744**
Connexions	1,549	**1,140**
Dedicated Schools' Grant	147,071	**159,303**
Dept of Health—Access and System Capacity	3,086	**3,003**
Dept of Health—CAMHS Mental Health Grant	1,489	**1,519**
Dept of Health—Carer's Special Grant	1,677	**1,632**
Dept of Health—Mental Health	1,403	**1,365**
Dept of Health—Preserved Rights	3,140	**2,985**
Dept of Health—Unaccompanied Children	2,683	**2,809**
Housing Act 1989	29,958	**26,725**
Homelessness Strategy Grant	2,015	**1,538**
Learning Skills Council 6th Form	4,371	**4,762**
Learning Skills Council Adult & Community Learning	2,529	**2,402**
Lilian Baylis PFI Project	1,931	**1,931**
National Training Strategy Deveolpment	1,041	**1,012**
Neighbourhood Renewal	4,143	**4,143**
Private Finance Initiative Grant	3,398	**0**
Schools Standard Grant	3,809	**4,493**
Schools Standard Grant—personalisation	1,182	**2,060**
Standards Fund	19,762	**19,612**
Street Lighting PFI	1,388	**0**
Supporting People	20,984	**21,161**
Sure Start	12,830	**11,543**
LAA-CYPS	0	**4,308**
Other grants under £1m	13,788	**9,863**
	294,083	**292,080**

Only grants in excess of £1m are disclosed separately

5. Analysis of Capital Government Grants :

	2006/07 £'000	**2007/08 £'000**
Clapham Park NDC	8,938	**7,171**
EYCP – Children's Centres	0	**3,380**
Local Performance Service Agreement Reward	2,292	**0**
Standards Fund	12,278	**41,442**
Sure Start	4,362	**0**
Transport For London Schemes	8,136	**6,148**
Waterloo	1,975	**0**
Ethelred	0	**6,900**
Coldbusters	0	**1,025**
Other grants under £1m	4,797	**5,369**
	42,778	**71,435**

Only grants in excess of £1m are disclosed separately

HRA INCOME AND EXPENDITURE ACCOUNT

	Notes	2006/07 £'000		2007/08 £'000	
Income					
Dwelling rents		(108,235)		(107,515)	
Non- dwelling rents		(3,090)		(2,849)	
Charges for services and facilities		(12,275)		(12,816)	
HRA subsidy receivable	8	(27,079)		(25,489)	
Reduction in Provision for Bad or Doubtful Debts		0		0	
			(150,679)		(148,669)
Expenditure					
Repairs and maintenance		38,202		36,825	
Supervision and management		54,989		56,905	
Deferred Charges		0		0	
Rents, rates, taxes and other charges		7,245		3,541	
Depreciation of fixed assets	7	31,968		24,335	
Impairment	7	375		31,399	
Debt management expenses		93		115	
Increase in bad debt provision		3,310		3,402	
			136,182		156,522
Net cost of HRA services per Authority Income and Expenditure Account			(14,497)		7,853
HRA share of Corporate and Democratic Core			776		800
Net cost of HRA services			(13,721)		8,653
HRA share of the operating income and expenditure included in the whole authority Income and Expenditure Account					
Interest payable and similar charges			24,153		22,809
Amortised premiums and discounts			15,423		1,647
Notional Gain on disposal			(21,379)		0
Gain or Loss on disposal			0		193
Overhanging debt grant			(7,397)		(1,647)
Interest and investment income			(739)		(1,809)
Pensions interest cost & return on assets			1,266		1,207
Deficit/(surplus) for the year on HRA services			(2,394)		31,053

STATEMENT OF MOVEMENT ON THE HRA BALANCE

The statement of Movement on the HRA balance shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

	2006/07 £'000	2007/08 £'000
Deficit for the year on the HRA Income and Expenditure	(2,394)	31,053
Net additional amount required by statute to be credited to the HRA balance	6,591	(32,381)
Decrease/(increase) in the HRA Balance	4,197	(1,328)
HRA (surplus)/deficit brought forward	(2,235)	1,962
HRA deficit carried forward	1,962	634

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Analysis of the movement on the HRA balance:

	2006/07 £'000	**2007/08 £'000**
Items included in the HRA Income and Expenditure Account but excluded from the movement on 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	(6,314)	**2,780**
Net contribution to Insurance Fund	907	**536**
Insurance Fund Reserve reclassified as provision	0	**(4,579)**
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with the Statutory HRA requirements.	(375)	**(30,942)**
Gain or Loss on disposal	0	**(193)**
Net charges made for retirement benefits in accordance with FRS 17	(5,181)	**(4,670)**
Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balances for the year		
Transfer from Major Repairs Reserve	(8,443)	**(1,668)**
Notional gain on disposal	21,379	**0**
Employer's contributions payable to the Lambeth Pension Fund and LPFA and retirement benefit payable direct to pensioners	4,618	**6,355**
Net additional amount required by statute to be credited to the HRA Balances for the year	6,591	**(32,381)**

2 Housing stock

The authority was responsible for managing a Housing Revenue Account stock of 26,536 properties as at 31 March 2008 compared with a total of 27,196 properties as at 31 March 2007.

	31-Mar-07	**31-Mar-08**
Flats	22,888	**22,232**
Houses	4,141	**4,140**
Multi-occupied	166	**163**
Shared ownership	1	**1**
Total	27,196	**26,536**

3 HRA assets

	01-Apr-07 £'000	**31-Mar-08 £'000**
Operational properties		
Dwellings	1,675,353	**1,778,178**
Other properties	29,796	**42,990**
Sub-total	1,705,149	**1,821,168**
Non-operational properties		
Commercial properties	40,614	**33,644**
TOTAL	1,745,763	**1,854,812**

4 Vacant Possession Value

The vacant possession value of dwellings within the HRA at 1 April 2007 was £4.987 billion. The difference between this value and the balance sheet value represents the economic cost of providing subsidised housing.

5 Major repairs reserve

The movement on the reserve during 2007/08 is shown below

	2006/07 £'000	**2007/08 £'000**
Balance brought forward	4,810	**14,237**
Transfer from HRA equal to depreciation	31,968	**24,335**
Transfer to HRA	(8,443)	**(1,668)**
Capital expenditure charged to the reserve	(14,098)	**(5,709)**
	14,237	**31,195**

6 Capital expenditure, financing and receipts

	2006/07 £'000	**2007/08 £'000**
HRA capital expenditure		
Works to dwellings	37,904	**52,040**
Works to non-dwellings	7,469	**250**
	45,373	**52,290**
Financing of capital expenditure		
Borrowing	8,689	**8,989**
Usable Capital Receipts	22,055	**35,728**
Major Repairs Reserve	14,098	**5,709**
Grants	531	**456**
S20	0	**1,408**
Total	45,373	**52,290**
Capital Receipts Received		
Dwellings	23,429	**20,344**
Other properties	6,276	**32,603**
Total	29,705	**52,947**

7 Depreciation and impairment

	2006/07 £'000	**2007/08 £'000**
Depreciation charged for the year		
Operational assets	30,459	**22,167**
Non-operational assets	1,509	**2,168**
Impairment	375	**31,399**
Total	32,343	**55,734**

8 Housing Revenue Account subsidy

	2006/07 £'000	**2007/08 £'000**
Major repairs allowance	23,525	**22,666**
Housing element	3,554	**2,823**
Subsidy due for the year	**27,079**	**25,489**
Subsidy limitation adjustment	0	**0**
Subsidy receivable	27,079	**25,489**

9 Rent arrears

The rent arrears shown below relates to rent charges due from tenants, and represents an increase of 6.72%. Bad debt of £1.056m was written off during the year.

	2006/07 £'000	**2007/08 £'000**
Arrears as at 31 March	21,288	**22,718**
Provision for bad debts	(10,929)	**(12,090)**
Collectable amount	**10,359**	**10,628**

10 Early redemption of debt

The Council transferred some of its housing stock to Housing Associations during 2007/08. As well as repaying £10,418k of the Council's debt as a result, £2,666k (net) of premiums and discounts paid for the early redemption of these loans was reimbursed by the Government. £1647k (net) is chargeable to the HRA and matched by grant. In addition £2780k of premiums held on the balance sheet at 31 March 2008 have been amortised to the HRA Income and Expenditure account in accordance with the Council's accounting policies.

11 Large Scale Voluntary Transfers

The Council undertook one Large Scale Voluntary Transfer (LSVT) during 2007/08, following a resolution of the Council and a subsequent ballot of its then tenants. The financial implications of all transactions relating to this transfer are included throughout this Statement of Accounts.

On 31 March 2008, the Council effected a transfer of 590 dwellings for the estate known as Bolney Meadows to Presentation Housing Association, and the valuation of Council Dwellings was amended to reflect the Tenanted Market Value expected to be received at the time of transfer. This was calculated at a value of £0 reflecting the work required to bring the dwellings up to an acceptable standard. As a result the dwellings were transferred for a nil consideration. There were no balances in the Government Grants Deferred Account relating to Bolney Meadows Estate.

The transfer process involved a special VAT shelter set-off arrangement agreed by both parties with HM Revenue & Customs whereby the related input VAT (£4.23m) was accounted for by the Council, recovered from HMRC and paid over to the Housing Association in line with the contractual arrangements. the Council is entitled to a 50:50 share of the work-related input VAT subsequently recovered by Presentation HA during the 5-year period of the works programme.

No Lambeth staff were transferred to the Housing Association under the Bolney Meadow LSVT. There were therfeore no TUPE or Pension scheme implications to address.

COLLECTION FUND

	Notes	£'000	31-Mar-07 £'000	**£'000**	**31-Mar-08 £'000**
INCOME					
Council Tax	1		93,837		**101,224**
National Non-Domestic Rates	2		78,076		**78,900**
Transfers from the General Fund			24,675		**25,609**
			196,588		**205,733**
EXPENDITURE					
Precepts and Demands					
Greater London Authority		28,552		**30,291**	
London Borough of Lambeth		83,245		**88,042**	
			111,797		**118,333**
National Non-Domestic Rates					
Payment to National Pool		77,577		**78,407**	
Cost of Collection Allowance		499		**493**	
			78,076		**78,900**
Provision for bad and doubtful debts			3,458		**6,229**
Transfer to General Fund in respect of prior year					
Estimated Council Tax Surplus	3		1,681		**1,681**
Payments to preceptors re prior-year estimated surplus					
Greater London Authority	3		509		**577**
Adjustment – Community Charge	4		307		**27**
			195,828		**205,747**
SURPLUS/(DEFICIT) FOR THE YEAR			760		**(14)**
MOVEMENT ON FUND BALANCE					
Surplus brought forward 1 April			7,619		**8,379**
Movement for the year					
Council Tax		1,067		**13**	
Community Charge		(307)		**(27)**	
			760		**(14)**
Surplus balance carried forward 31 March			8,379		**8,365**

Notes to the Collection Fund

1. Under the arrangements for Council Tax, each domestic property within the Council's area is assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The total number of dwellings in each band is then adjusted to account for discounts, exemptions and other expected movements in the year. The Council Tax is set for band D properties and the tax for other bands calculated as a proportion of the band D tax.

For the year ended 31 March 2008, the band D Council Tax was set at £1,187.23 based upon a tax base of 99,681 (for 2006/07, £1,129.95 based upon a tax base of 98,931) and included the £303.88 requirement of the Greater London Authority (£288.61 in 2006/07).

The table below shows the calculation of the Council Tax Base for 2007/08

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,705	3,781	6/9	2,521
B	31,963	25,904	7/9	20,148
C	36,476	30,806	8/9	27,383
D	26,384	22,997	9/9	22,997
E	12,960	11,535	11/9	14,099
F	8,613	7,744	13/9	11,186
G	5,261	4,764	15/9	7,939
H	606	514	18/9	1,028
TOTALS	**126,968**	**108,045**		**107,301**
Adjustment for expected movements in property base				**(2,374)**
				104,927
		Adjustment for collection rate		**(5,246)**
		Tax base for Council Tax purposes		**99,681**

2. National Non-Domestic Rates are organised on a national basis. Central Government specifies an amount, 44.4p in 2007/08 (43.3p in 2006/07) and 44.1p for small business rate-relief (42.6p in 2006/07). Subject to the effects of transitional arrangements local businesses pay rates which are calculated by multiplying their rateable value by this amount.

The Council is responsible for collecting rates due from the ratepayers in its area and then pays the proceeds into an NNDR pool administered by Central Government. Central Government then redistributes the sums paid into the pool back to local authorities' General Funds, on the basis of a fixed amount per head of population.

The NNDR income shown in the account for 2007/08 is based upon a total rateable value for the Council's area of £228.68m at 31 March 2008 (£232.51m at 31 March 2007).

3. Collection Fund Surpluses and Deficits

The regulations state that an estimate of the balance on the Collection Fund at the year-end must be made on the 15 January preceding that year-end. Any calculated surplus or deficit on the Collection Fund in respect of Council Tax is required to be made good in the following year by contributions to or from the Council's General Fund and from or to the Greater London Authority in proportion to the level of demand each makes on the Fund. Any surplus or deficit in respect of Community Charges is fully attributable to the London Borough of Lambeth in subsequent years.

4. Adjustments in Respect of Community Charges

Although Council Tax replaced Community Charge from 1 April 1993, the Council continues to account for residual adjustments in relation to the Community Charge raised in earlier years in the Collection Fund. The amount shown in the 2007/08 account in respect of Community Charge adjustments represents an increase in the bad debt provision.

		2006/07		2007/08
	£'000	£'000	£'000	£'000
Increase in provision for bad debts		**307**		**27**
Net Community Charge adjustments		**307**		**27**

PENSION FUND

REVENUE ACCOUNT	Note	2006/07 £'000	**2007/08 £'000**
CONTRIBUTIONS AND BENEFITS			
Contributions receivable			
From employers	4	28,178	**31,426**
From employees	5	6,744	**6,940**
From employees transferring from other pension funds		3,555	**5,118**
Income re equivalent contribution scheme		15	**7**
Benefits payable:	5		
Pension payments		(27,591)	**(28,956)**
Lump sum payments due when people retire		(2,570)	**(4,783)**
Payments to and on account of leavers			**0**
Refunds to employees who leave the scheme		(29)	**(10)**
Payments where employees transfer to other funds		(4,524)	**(5,889)**
Payments re Equivalent Contribution Scheme		(12)	**(3)**
Administrative and other expenses borne by the scheme		(489)	**(942)**
Net investments from dealings with members		3,277	**2,908**
Returns on investments			
Income earned on investments	6	21,804	**27,980**
Unrealised Profit on Transition		(6,171)	**0**
Change in market value of investments (realised/unrealised)		32,129	**(54,701)**
Investment management expenses		(1,862)	**(1,858)**
Net return / (loss) on investments		45,900	**(28,579)**
Net increase/(decrease) in the fund during the year		49,177	**(25,671)**
Opening net assets of the scheme		678,485	**727,662**
Closing net assets of the scheme		727,662	**701,991**

NET ASSETS STATEMENT	Valuation Basis	2006/07 £'000	**2007/08 £'000**
Market value of investments			
Fixed interest investments—UK	Market Value	65,095	**73,267**
Fixed interest investments—overseas	Market Value	32,871	**18,377**
UK equities (shares)	Market Value	244,362	**233,064**
Overseas equities (shares)	Market Value	279,413	**282,960**
Index-linked investments (inflation-proof)—UK	Market Value	15,051	**20,757**
UK unit trusts	Market Value	13,554	**10,606**
UK unit trusts—property	Market Value	59,616	**50,083**
UK cash investments	Market Value	229	**(117)**
Adams Street Private Equity	Market Value	3,938	**10,274**
UK venture capital funds	Market Value	1,769	**269**
		715,898	**699,540**
Current assets/liabilities			
Debtors			
Investment income accrued		3,272	**3,766**
Inland Revenue—tax claims		54	**161**
Futures		912	**434**
Forward Contracts		14,742	**16,128**
Fund Managers—cash balance		24,091	**18,311**
Creditors			
Futures		(890)	**(414)**
Forward Contracts		(14,534)	**(16,265)**
Inland Revenue—refunds		(15)	**(15)**
General Fund—temporary borrowing		(15,868)	**(19,655)**
Net assets at 31 March		727,662	**701,991**

Notes to the Pension Fund

1. Operation and Membership of the Fund

The London Borough of Lambeth Pension Fund is run in accordance with the Local Government Pension Regulations 1998 and the subsequent revised legislation and is for the benefit of Council employees and also employees of outside organisations, who have entered into an agreement with Lambeth for pension purposes. At 31 March 2008, 4370 employees paid contributions to the fund, 4,958 pensioners were paid by the fund and there were 5,882 deferred pensioners. As at 31 March 2008, outside bodies who had entered into agreement with Lambeth for pension were Age Concern Lambeth, Hyde Housing Association, Thorlands Action Group Ltd, Excelcare Holdings plc, St. Martins Community Partnership, Blenheim Gardens RMO, Metra Housing Co-operative, Research Machines plc, Clapham Park Homes, Metropolitan Housing Trust, Wellington Mills Housing Co-op and Community Trust Housing. Due to a housing stock transfer by The Council, the agreement with Stockwell Park EMB ceased and the current members were transferred to Community Housing Trust.

The Pension Regulations specify which employees are eligible for membership and the service that is reckonable for benefit purposes. They also set out various rules for payment of contributions, calculation of benefits and refunds, as well as arrangements for the transfer values to and from other funds and schemes. With the passing of the Social Security Act 1986, the compulsory requirement for membership was removed and employees now have the right to choose whether or not to be members.

Under current legislation, pension contributions qualify for full tax relief. The Fund is also contracted out of the Government State Earnings Related Additional Pension Scheme, the effect of which is to slightly reduce the National Insurance Contributions paid by members of the Fund (except women still paying the reduced rate). The compulsory retirement age for both male and female contributors is 65, however, earlier retirement with payment of benefits can be made under certain circumstances.

The investment portfolio is managed by fund managers under the Statement of Investment Principles laid down by the Council.

2. Accounting Policies

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy. They also comply with the Statements of Standard Accounting Practice and the Statement of Recommended Practice (SORP 1) as applicable to local authorities.

Unless otherwise stated, the accounts have been prepared on the accruals basis. The accounts summarise the transactions and net assets of the fund and do not take account of liabilities to pay pensions and other benefits after the

Transfer values have been included on a cash basis.

Administration expenses are based on actual spending for the year for the Pension administration and investment

Foreign currencies and assets held in overseas companies/properties are translated using prevailing rates of exchange at the balance sheet date.

Under the Pensions (Increase) Acts, from 1 April 1990, pension increase payments (indexing of pension payments) are to be met from the Pension Fund. Prior to this date they were met from the General Fund.

Investments are shown at their market value - valued on the basis of the latest mid-market price. Overseas securities and cash are translated into sterling using prevailing rates of exchange at the balance sheet date. Unlisted securities are valued by the fund managers at the year-end in accordance with generally accepted guidelines.

Investment management and administration expenses are based on actual expenditure for the year and disclosed on the face of the accounts. The investment managers are paid quarterly in arrears on a sliding scale based on the market value of the investments managed at the end of each quarter. Certain specific expenses have been charged directly to the Fund and other office expenses and related overheads have been charged to the Fund on the basis of actual time spent on investment and related matters and pension administration.

3. Actuarial Valuation

The scheme is a funded, defined benefits scheme. The Fund's assets and liabilities are valued by an external actuary every three years. The latest valuation was carried out by Hymans Robertson & Co. as at 31 March 2007.

The valuation method used was the Projected Unit Method. The following financial assumptions formed the basis of the valuation:

- Rate of price inflation at 3.2% per annum
- Rate of future pension increases at 2.9% per annum
- Rate of future pay increases at 4.40% per annum .
- Discount rate at 6.1%.

At 31 March 2007, the scheme's assets were £727.7 million, detailed in the Net Asset Statement, and the actuarial value of the assets was sufficient to cover 81% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In order to achieve 100% coverage by the end of the average expected working lifetime of the current contributors, an employer's contribution rate of 14.5% per annum of payroll, plus an additional £12 million p.a. (increasing each year at 4.7% p.a.), based on the assumption that the deficit is funded over 16 years.

In order to comply with the actuarial findings and address the shortfall the authority has undertaken to implement the recommended contribution as from the 2008/09 financial year.

4. Contributions from Employers

	2006/07 £'000	**2007/08** **£'000**
From employers	15,778	**18,426**
Backfunding	12,400	**13,000**
	28,178	**31,426**

In 2007/08, the contribution rate payable by the Council was 12.6%, the past service adjustment was set at a monetary amount of £13.0m (based on the assumption that the deficit is funded over 20 years).

5. Total Contributions Received and Paid

	Administering Body (Lambeth) £'000		Admitted Bodies £'000	
	2006/07	**2007/08**	2006/07	**2007/08**
Contributions received	**34,492**	**30,897**	**430**	**529**
Benefits paid	**30,075**	**33,739**	**86**	**0**

6. Investment Income

	2006/07 £'000	**2007/08** £'000
Interest	2,938	**3,833**
Dividends	18,866	**24,147**
Taxation		
	21,804	27,980

7. Management of the Fund

As at 31st March 2008, the total market value of the investments of the Fund was £699.5 million (£715.9 million at 31st March 2007), of which 8.8% was managed by Aberdeen, 40.1% by UBS, 12.3% by Aberdeen Global Equity, 7.6% by Majedie Asset Management and 25.4% by AllianceBernstein. Various other managers invest the remainder in Venture Capital Funds and Property including an investment of £10.2 million made in Private Equities with Adams Street. The table below shows the breakdown of the investments at market value between the managers.

	Aberdeen Fixed Interest £'000	Aberdeen Global £'000	UBS £'000	AB £'000	Majedie £'000	REEF £'000	Others £'000	**TOTAL** **£'000**	% of Fund
UK Equities	0	10,296	107,078	66,969	48,720	0	0	**233,063**	33
UK Unit Trusts	0	1,202	4,515	0	4,888	0	0	**10,605**	2
UK Unit Trusts-property	0	0	21,003	0	0	29,080		**50,083**	7
Overseas Equities	0	74,526	97,297	111,138	0	0	0	**282,961**	40
UK Fixed Interest	48,983	0	24,284	0	0	0	0	**73,267**	11
UK Index Linked	12,866	0	7,891	0	0	0	0	**20,757**	3
Overseas Fixed Interest	0	0	18,377	0	0	0	0	**18,377**	3
UK Cash Investments	0	0	0	(117)	0	0	0	**(117)**	(0)
Adams Street Private Equity	0	0	0	0	0	0	10,274	**10,274**	1
UK venture capital funds	0	0	0	0	0	0	269	**269**	0
TOTAL	61,849	86,024	280,445	177,990	53,608	29,080	10,543	699,539	100

8. Investments

The following is a detailed breakdown of the investments held by the Pension Fund (excluding cash) at the end of 2006/2007 & 2007/2008:

		2006/07 £'000		**2007/08 £'000**
UK EQUITIES				
Resources				
Mining	8,089		17,417	
Oil & Gas	31,870		42,235	
Basic Industries				
Chemicals	508		461	
Construction and building materials	8,019		2,326	
Diversified industrials	1,692		0	
Forestry and paper	328		602	
Steel & other metals	1,520		3,163	
General Industrials				
Aerospace and defence	1,929		2,866	
Electronic and electrical equipment	2,919		3,318	
Engineering and machinery	2,074		3,517	
Cyclical Consumer Goods				
Automobiles and parts	242		426	
Household goods and textiles	1,118		809	
Non-Cyclical Consumer Goods				
Beverages	5,503		3,359	
Food producers and processors	3,405		15,036	
Health	1,173		6,589	
Packaging	0		0	
Pharmaceuticals	13,078		12,141	
Personal care and household products	7,914		1,042	
Tobacco	7,266		6,001	
Cyclical Services				
General retailers	5,150		2,336	
Leisure, entertainment and hotels	6,165		5,040	
Media and photography	10,555		8,753	
Support services	6,415		5,797	
Transport	1,601		1,844	
Non-Cyclical Services				
Food and drug retail	10,627		8,355	
Telecommunication services	16,152		18,246	
Utilities				
Electricity	4,701		3,990	
Gas distribution	6,509		5,515	
Water	0		267	
Financials				
Banks	46,558		29,594	
Insurance	8,503		5,419	
Life assurance	9,756		7,201	
Investment companies	0		3266	
Real estate	3,049		554	
Special and other finance	6,472		3,685	
Information Technology				
Information technology hardware	120		71	
Software and computer services	3,382		1,824	
Total UK Equities		**244,362**		**233,065**
UK UNIT TRUSTS				
Small companies	13,554		10,606	
Total UK Unit Trusts		**13,554**		**10,606**
OVERSEAS EQUITIES				
United States & Canada	103,397		98,134	
Japan	39,212		37,084	
Europe	81,843		88,807	

Pacific Region	18,524		23,008	
Developing markets	36,437		35,926	
Total Overseas Equities		**279,413**		**282,959**
OVERSEAS UNIT TRUSTS				
United States	0		0	
Japan	0		0	
Europe	0		0	
Pacific Region	0		0	
Developing markets	0		0	
Total Overseas Unit Trusts		0		**0**
UK INDEX LINKED		15,051		**20,757**
OVERSEAS INDEX LINKED		0		**0**
UK FIXED INTEREST		65,095		**73,267**
UK UNIT TRUSTS—PROPERTY		59,616		**50,083**
OVERSEAS FIXED INTEREST		32,871		**18,377**
UK CASH INVESTMENTS		229		**(117)**
OVERSEAS CASH INVESTMENTS		0		**0**
ADAMS STREET PRIVATE EQUITY		3,938		**10,274**
UK VENTURE CAPITAL FUNDS		1,769		**269**
F&C ETHICAL UK EQUITY TRUST		0		**0**
TOTAL VALUE OF INVESTMENTS		715,898		**699,540**

During the year the Fund purchased investments totalling £319.4 million (2006/07 - £297.5 million) and sold investments to the value of £281.1 million (2006/07 - £286.5 million). The realised profit amounted to £21.9 million (2006/07 £56.5 million).

As at 31 March 2008, the Fund's 20 largest investments were:

	£'000	% of Fund
1. Aberdeen Fund Core Plus Sterling Credit Fund Cls D	26,930	3.85
2. Rreef Ltd Uk Core Property Fund A	23,524	3.36
3. Aberdeen Core Plus Sterling Bd Fund Cls D Shs	22,053	3.15
4. Ubs Triton Property Unit Trust	20,268	2.90
5. Vodafone Group Ord Usd0.11428571	18,249	2.61
6. Bp Ord Usd0.25	17,369	2.48
7. Ubs Life Duration Neutral Uk Lond Dated Corp Bond A Units	13,950	1.99
8. Royal Dutch Shell 'B'Shs Eur0.07	13,203	1.89
9. Aberdeen Core Plus Idx Bd Fd Cls D	12,866	1.84
10. Glaxosmithkline Ord Gbp0.25	11,827	1.69
11. Ubs Global Emerging Markets Equity J Shares	10,246	1.46
12. Hsbc Holdings Ord Usd0.50(Uk Reg)	9,869	1.41
13. Rio Tinto Ord Gbp0.10	9,657	1.38
14. Royal Bank of Scotland Ord Gbp0.25	7,900	1.13
15. Tesco Ord Gbp0.05	7,034	1.01
16. Astrazeneca Usd0.25P	6,882	0.98
17. Standard Charter Usd0.50	6,091	0.87
18. Barclays Ord Gbp0.25	5,582	0.80
19. Centrica Ord Gbp0.061728395	5,516	0.79
20. British American Tobacco Ord Gbp0.25	5,493	0.79
	254,511	**36.38**

As at 31 March 2007, the Fund's 20 largest investments were:

	£'000	% of Fund
1. UBS Triton Property Unit Trust	27,085	3.78
2. RREEF UK Core PRP A UK Core Property Fund	26,985	3.77
3. Aberdeen FXD INC Long Dated STG	20,456	2.86
4. British Petroleum Ordinary US$0.25	18,027	2.52
5. Vodaphone Group	14,339	2.00
6. UBS Global Emerging Markets Equity J	13,576	1.90
7. Glaxosmithkline Ordinary £0.25	13,427	1.88
8. Royal Dutch	11,926	1.67
9. Royal Bank of Scotland	11,356	1.58
10. Aberdeen Funds Long Dated STL Bond	11,294	1.58
11. Aberdeen Global SPE GBL Aggregate B	10,813	1.51
12. Barclays Ordinary £0.25	10,804	1.51
13. HSBC	10,539	1.47
14. UBS Life Dur Nuet UK Long Dtd	9,790	1.37
15. ACMBVI Emerging Markets	8,749	1.22
16. Aberdeen Funds Index Link	7,953	1.11
17. HBOS Ordinary 25p	7,713	1.08
18. UBS Life Small Company UK A	7,520	1.05
19. Majedie Asset Management	6,034	0.84
20. Tesco	5,551	0.77
	253,937	**35.47**

9 Advanced Corporation Tax

On the 2nd July 1997, the Chancellor announced in the Budget that he had removed the facility for Pension Funds to reclaim the Advance Corporation Tax (ACT) credit available relating to dividends from UK companies. This reduced the income to the Pension Fund from 1997/98 onwards.

10 Related Party Transactions

Information in respect of material transactions with related parties is disclosed within the Pension Fund accounts. During the year, no trustees or Council Chief Officers with direct responsibilty for pension fund issues, have undertaken any declarable transactions with the Pension fund.

A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

For the purposes of compiling the Statement of Accounts the following definitions have been adopted:

Accruals
The concept that income and expenditure are recognised as they are earned or incurred and not as money is received or paid.

Acquired Operations
Income and expenditure directly related to acquired operations shown separately on the face of the Consolidated Revenue Account.

Balance Sheet
This statement is fundamental to the understanding of an authority's financial position at the year end. It shows the balances and reserves at an authority's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

Balances
The capital or revenue reserves of an authority are made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax levy.

Budget
The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

Capital Expenditure
Expenditure either on the acquisition of a fixed asset, or expenditure on an existing fixed asset which adds to, rather than merely maintaining its value.

Capital Receipts
The proceeds of the sale of capital assets.

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

Code of Practice
This specifies the principles and practices of accounting required to prepare a Statement of Accounts which "present fairly" the financial position and transactions of an authority.

Collection Fund
A statement that shows the transactions of the billing authority in relation to non-domestic rates and the Council Tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

Consistency
The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

Contingency
A condition which exists at the balance sheet date, the outcome of which depends on one or more uncertain future events.

Corporate and Democratic Core
This incorporates the following sub-divisions, the activities of which can not be charged to services under the Best Value Accounting Code of Practice:-

- Democratic Representation and Management costs – includes all aspects of Members' activities including corporate, programme and service policy-making, general governance and representing local interests.

- Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability.

Creditors
Occur where the Council owes money at the year end to persons for goods and services supplied in-year.

Current Liabilities
Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

Debtors
Occur where money is due at the year end from persons for goods and services supplied to them by the Council.

Deferred Charges
Expenditure which may properly be deferred but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants, where the asset that is "improved" does not belong to the Council.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Discontinued Operations
An operation is classified as discontinued if all the following conditions are met:

(a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;

(b) the activities related to the operation have ceased permanently;

(c) the termination of the operation is material to the overall activity of the authority.

Employee Costs
Pay and associated costs such as National Insurance and pension contributions.

Estimates
Same as budget.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are therefore expected not to recur frequently or regularly.

Fair Value
The fair value of a fixed asset is the price at which an asset could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fixed Assets
These can be either:

Tangible Fixed Assets

- Operational Assets - Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.
- 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 of community assets are parks and historic buildings.
- Infrastructure Assets - Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.
- Non-operational Assets - Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirement, pending sale or redevelopment.

Intangible Fixed Assets

The definition of intangible fixed assets is 'non-financial fixed assets that do not have a physical substance but are identifiable and are controlled by the entity (the Council) through custody or legal rights'. Assets falling under this definition in the Council's Accounts are IT systems and software licences.

FRS
Financial Reporting Standards as required within the SORP.

Fund
A major division of the Council's accounts.

General Fund
This is the main revenue account which summarises the cost of all services (except those related to Council Housing and Locally Managed Schools) provided by the Council.

Going Concern
The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

Government Grants
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

Gross Expenditure
The total cost of providing services before deducting any income.

Housing Revenue Account
Reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how this is met by rents, subsidy and other income.

Income
Monies received or due from rents, fees and charges for services, specific grants and investment interest.

Income and Expenditure Account
A statement that reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers.

Investments
These are only long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criterion they have been classified as current assets.

Lease
These can be either:

- Finance lease - A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
- Operating lease - A lease other than a finance lease.

Liabilities
Those amounts which will become payable by the Council in the short or long term.

Locally Managed Schools balances
Reflects the unspent balance of the delegated schools budget.

Long-Term Contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service, where the time taken substantially to complete the contract is such that the contract falls into different accounting periods.

Matching
The concept that expenditure and income transactions, including accruals, are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

Materiality
The concept of materiality derives from the premise that financial statements often cannot be precisely accurate but this need not detract from their ability to be fairly stated. Within certain limits a tolerance is permitted in measurement and disclosure of financial statement items and the concept of materiality determines the acceptability of the degree of this tolerance.

Minimum Revenue Provision
The minimum revenue provision (MRP) is the minimum amount that must be charged to an authority's revenue account each year and set aside as a provision for debt repayment or other credit liabilities.

National Non-Domestic Rates
A national rate levied on businesses by the Government, collected by local authorities on the Government's behalf. The total proceeds are redistributed between local authorities on the basis of government relative needs formulas.

Net Book Value
The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Expenditure
Gross expenditure for a service, less directly related income.

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

Post-Balance Sheet Event
The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

Precept
The amount of income collected in the Collection Fund on behalf of this Council and the Greater London Authority.

Prior-Year Adjustments
Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Provisions
Provisions are required for any liabilities or losses which are certain or likely to be incurred, but where there is uncertainty as to the amounts or the dates on which they will arise.

Prudence
The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

PWLB
Public Works Loans Board - a statutory body operating within the United Kingdom Debt Management Office, which is an Executive Agency of HM Treasury. Its function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Rateable Value (RV)
The value, assessed by the Valuation Office Agency, on which business rates are payable.

Recharges
The transfer of costs from one account to another.

Related Party Transactions
The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves
Amounts set aside for purposes falling outside the definition of provisions made above are considered as reserves.

Revenue Expenditure
The cost related to the day-to-day running of services.

Revenue Income
The income related to the day-to-day running of services.

Revenue Support Grant
A general grant paid by Central Government to local authorities to help them finance the cost of their services, distributed on the basis of government relative needs formulas.

Running Expenses
Regular revenue expenses other than employee costs.

SSAP's
Statements of Standard Accounting Practice as recommended to local authorities.

SORP
The Statement of Recommended Practice (SORP) sets out the application of Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Standards (FRS's) to local authorities in the United Kingdom.

Statement of Movement on the General Fund Balance
A statement that reconciles the Income and Expenditure account for the year with the authority's budget requirement; the latter is governed by statute and differs in certain key respects from accounting conventions.

Statements of Movement on the HRA Balance
A statement that reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

Statement of Total Recognised Gains and Losses (STRGL).
A statement that brings together all gains and losses experienced by the Council, as required by FRS 3 "Reporting Financial Performance".

Substance over Form
The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.

UK GAAP
United Kingdom Generally Accepted Accounting Practices, which constitute proper practice, have been incorporated into the revenue statement for the first time this year. The result of this is the creation of the Income and Expenditure Account, which is UK GAAP compliant.

Useful Life
The period over which the local authority expects to derive benefits from the use of a fixed asset.

Work-in-Progress
The cost of work completed on an unfinished project at the year end.