

2008-09
Statement of Accounts

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FOREWORD TO THE ACCOUNTS

This foreword provides a guide to the Council's accounts for the year ended 31 March 2009. The Accounts and Audit Regulations 2006 require the Statement of Accounts to be approved by 30 June 2009. The accounts are set out on pages 26 to 75.

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 2008 (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 2008 (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 2009. 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, 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 Statement of Movement on the HRA Balance.

Changes to the 2008/09 Statement of Accounts

There have been a number of minor changes to the SORP and consequently to the Statements themselves. These are mainly to provide clarification in areas of uncertainty and to change presentation of the accounts in accordance with Financial Reporting Standards. None have a significant impact on the Council's financial position.

Summary of financial performance in the year

During the financial year ended 31 March 2009 Lambeth's General Fund's financial position has been further stabilised and the achievements of previous years consolidated.

- The General Fund balance as at 31 March 2009 (excluding schools balances) stands at £31.0m compared with a balance of £16.7m at the start of the year
- The Locally Managed Schools (LMS) balance as at 31 March 2009 stands at £16.2m compared with a balance of £16.5m at the start of the year.
- The Housing Revenue Account as at 31 March 2009 stands at a £12.2m deficit compared with a deficit balance of £0.63m at the start of the year.
- The Collection Fund balance as at 31 March 2009 stands at £0.4m, compared with a balance of £8.4m at the start of the year.
- The Pension Fund net assets balance as at 31 March 2009 stands at £540.8m compared with a balance of £702.0m at the start of the year.
- The Usable Capital Receipts Reserve as at 31 March 2009 stands at £33.4m compared to £52.2m at the start of the year.

Overall expenditure has been contained within budget for the sixth consecutive year. There was a significant overspend in the Housing, Regeneration and Environment department. A major contributory factor was a review in the year of methodologies used to estimate provision for bad and doubtful debt across both the General Fund and Housing Revenue Account business. There was also a large movement within parking income reflecting a more robust approach to the management of ongoing long term parking debt including a review and update of the controls in place. There was also a significant overspend within the Strategic Transformation division which was forecast throughout the year. The function has been dissolved. Savings projects included in the 2008/09 programme were evaluated during the year and decisions taken on their merits. Some projects will continue and be managed under new and strengthened governance arrangements.

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, Prudent provisions and carry forwards were agreed and the impact of these can be seen at Table 1.

In addition the Council was able to use its temporary cash surpluses to achieve investment returns well above the forecast level, as the balances held were higher than forecast due to the lower utilisation of reserves and provisions than anticipated. Savings compared to budget were also achieved in respect of interest payable. Further corporate savings were achieved by lower contributions to provisions than anticipated, fewer redundancies than budgeted, and a lower lump sum contribution to the Pension Fund.

The financial results for the year leave the General Fund (excluding schools) with a balance in excess of £30m, at the upper end of the recommended range (£15m to £30m). The enactment of the Capital Financing Regulations (2008) on 31 March 2008 gave the Council the power to reverse the effect of the capital financing transactions known as 'Adjustment A', which enabled the Council to release £23.25m. £13m of the sum has been added to General Fund balances, the remainder being set-aside for specific purposes within earmarked reserves.

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.

2007/08 Closedown Review

On closing the 2007/08 Accounts, weaknesses were identified in the closedown process which resulted in a Section 11 report being issued by the District Auditor. The three recommendations required the Council to:

- address fully the issues identified at audit, together with robust supporting working papers and audit trails, to conclude the 2007/08 audit expeditiously;
- take steps to ensure that reliable fixed asset records are prepared and maintained on an ongoing basis; and
- implement quality control processes to ensure that robust draft accounts and supporting working papers are produced for 2008/09 in a timely manner.

A report that sets out the Council's full response to the Annual Audit and Inspection Letter for 2008/09 was taken through the Council's committee cycle (Cabinet on the 8 June 2009, Corporate Committee on the 30 June 2009 and Council on the 8 July 2009). This scrutiny has assisted with the preparation of these statements.

On the first point, the Council has worked extremely hard to embed the lessons learnt through previous closedown processes. The Council is confident that the benefit of this early work is reflected in these statements. The Council has now concluded the 2007/08 accounts.

The Council has addressed the second point in material respects and has made significant improvements in the operation of the Fixed Asset Register with an internal audit report including the comments 'the processes in place for collating and preparing the records required to support the capital aspects of the closedown process have been greatly improved.' The Council has reviewed its processes and invested significant resources to ensure the draft accounts are robust with good quality supporting working papers.

Finally, the Chief Financial Officer has certified that these statements are robust and present fairly the Council's financial position as at the 31 March 2009.

Disclosures in the Statements

The Council has assessed that there is no requirement to prepare group accounts this year as the Council does not have interests in group entities which are material to these financial statements. The introduction of an Arms Length Management Organisation – Lambeth Living Ltd - for the management of Council dwellings on 1 July 2008 required a careful review of the Council's position. It was determined that the transactions and balances were not such that they would materially impact information given in these accounts on the overall financial performance and position of the Council and accordingly there was no requirement to prepare group accounts.

There are contingent liabilities disclosed in the accounts in relation to a claim being made by a collective of Tenant Management Organisations and in respect of care home provision. Should several high-risk care home providers no longer be able to fulfil their contractual obligations due to the current adverse economic climate the Council would be forced to find alternative care or accommodation at short notice which would have significant financial implications.

There is also a contingent asset disclosure whereby a claim is lodged with Her Majesty's Revenue & Customs for overpaid VAT based on the House of Lords decision in the joint cases of Michael Fleming v HMRC and Conde Nast Publications Ltd v HMRC.

A disclosure has been made in respect of an event after the balance sheet date. The Council has formed its own insurance mutual with 9 other London Boroughs – London Authorities Mutual Limited (LAML). The Court of Appeal has ruled (9 June 2009) that the participation of local authorities in an insurance mutual is beyond their statutory powers and as a consequence LAML has ceased underwriting with immediate effect.

2008/09 Outturn

Revenue

The table below sets out some of the Council's significant income streams during the year.

	Budget	Actual
	£000	£000
Formula Grant (including National Non-Domestic Rates and Revenue Support Grant)	207	207
Dedicated Schools Grant	169	169
Council Tax	93	93
Rents (housing)	102	97
Interest and Investment income	12	15

In particular, due to high market rates prevailing prior to the credit crunch, the Council obtained more income from its investments than budgeted. However, for housing rents, much less was collected than was budgeted for.

As the accounts follow the prescribed CIPFA format 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:

Table 1

Directorate	Final Cash Limits *	Outturn adjusted	(Under)/ Overspend
	£000	£000	£000
Adult & Community Services	108,259	108,359	100
Children & Young People's Service	81,296	76,351	(4,945)
No Recourse to Public Funds	2,748	2,217	(531)
Office of the Chief Executive	10,628	10,228	(400)
Council-wide shared savings	(3,827)	(80)	3,747
Finance & Resources	37,382	37,681	299
Housing Regeneration & Environment	46,603	57,530	10,927
Net investments	(9,400)	(14,559)	(5,159)
Technical accounting adjustments**	26,636	21,096	(5,540)
Total General Fund***	300,325	298,823	(1,502)
Housing (HRA)	(650)	11,583	12,233

* - 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 decisions regarding requests for budget carried forward and provisions.

** - Entries that fall below the Net Cost of Services line in the Income and Expenditure Account. As these items fall outside the responsibility of service departments the budgets are held corporately. Examples include interest payable and receivable, FRS17 entries that are not charged to services, Minimum Revenue Provision and amortisation of premiums/discounts.

*** - The outturn position shown above is that to which departments were held account. Any subsequent adjustments required as part of the audit of the Statements of Account will not be reflected in these figures.

The total surplus on General Fund services after decisions taken in respect of provisions and budget carry forwards was £1.5m (0.5% of budget). The Housing Revenue Account overspent by £12.2m in the year.

The main variances from the budget are summarised below.

Adult and Community Services – The Department has continued to manage demand and deliver efficiencies within Adult Social Care and the culture of robust financial management is embedded throughout the department. This has enabled the Council to continue to deliver value for money and identify £1.054m to be carried forward to manage the ongoing demands within Cultural Services for 2009/10. The department was able to deliver within its resources through robustly managing domiciliary care activity and third-party placement budgets delivering a review of high cost placements and other efficiencies

Children and Young People's Services – The department were able to underspend as a result of a number of efficiency and other savings initiatives undertaken across the department as well as better grant maximisation work. Strong financial management ensured improved commissioning arrangements with favourable negotiations with suppliers, better social care practices and the recruitment of in-house foster carer arrangements. Other significant contributions include the successful increase in grant income for Unaccompanied Asylum Seekers Children (UASC), Special Circumstances Representation from the Border and Immigration Agency, coupled with additional income from the Home Office for Leaving Care clients.

Office of the Chief Executive – This is a small office and it delivered within its resources.

Council-wide Shared Savings – Transformation savings were forecast not to be achieved as the Strategic Transformation function was dissolved. It is envisaged these will now be delivered across the next three years.

Finance and Resources – The final outturn for which the department is accountable was within budget. However subsequent decisions to set aside a prudent level of resources for known liabilities have resulted in an outturn which exceeds budget.

Housing General Fund – The overspend arises as a result of a review in the year of methodologies for calculating the provision for bad and doubtful debt and due to base budget issues for the Temporary Accommodation service. There was also a large movement within the parking income calculation, whereby the assessment of income due had to be revised.

Housing Revenue Account – An overspend has been forecast throughout the year. Significant work occurred throughout 2008/09 to manage the financial position both within the year and on an ongoing basis. This work focused on all areas of HRA expenditure and looked at efficiency measures as well as income sources for the HRA. As well as

achieving lower than expected income, this position arises as a result of a review in the year of methodologies for calculating the provision for bad and doubtful debt for outstanding leaseholder payments, reviewing the level of expenditure that can be capitalised and slippage against the some of the savings programme.

Capital

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

Table 2

Department	Final Budget £000	Actual Spend £000	(Underspend) £000	Percentage underspend %
Adult & Community Services	4,975	3,864	(1,111)	(22)
Building Schools for the Future	42,013	36,818	(5,195)	(12)
Children & Young People's Service	24,609	24,365	(244)	(1)
Finance & Resources	1,341	1,314	(27)	(2)
Office of the Chief Executive	2,967	1,924	(1,043)	(35)
Housing Regeneration & Environment	78,779	71,114	(7,665)	(10)
Total	154,684	139,399	(15,285)	(10)

The final outturn for 2008/09 was £139.4m against a final budget of £154.7m (90.1%). Of the larger spending Departments, the Building Schools for the Future and HRE department outturned well within their available resources, accounting for more than 80% of the total underspend. These underspends are in practice either the result of delays in obtaining necessary planning approvals and/or letting the relevant contracts or represent approved carry forward of capital budgets into 2009/10 for schemes with a project completion phase spanning two or more financial years.

The financing of the year's capital expenditure is detailed in note 5 to the balance sheet.

In Summary

The ratio of current assets to liabilities has increased to approximately 2.1:1. Long-term borrowing has reduced by £10.7m mainly due to debt redemption as part of the Bolney Meadows stock transfer which occurred in 2007/08 but the debt was not settled until the first week of 2008/09. Looking ahead the long-term liability on the pension fund remains a significant concern, with the assessed deficit now at nearly £412m. However, a combination of increased employer's and employees' contributions and improved controls over early retirements, together with the possibility of improved stock market returns 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 although the short-term impact has been significant.

The Council's pension fund's net assets decreased by some £161m during the year, reflecting market conditions. As with previous years additional funding has been earmarked to make good the shortfall over the long term.

The collection fund balance reduced to £0.4m after a transfer to the General Fund of £1.7m and a distribution to the Greater London Authority of £0.6m. Officers reviewed the provision for bad debt on Council Taxpayers in 2008/09 and determined it was not being made at a sufficiently adequate level. The methodology used to estimate the bad debt provision requirement has been modified to make provision at a more appropriate level that better reflects past experience in estimating future cash collection rates. Stricter enforcement of collection protocol resulted in Council Tax collection performance exceeding the target for 2008/09 (94.2% against 94% target).

The Housing Revenue Account incurred a deficit of £11.6m in 2008/09. Continued cost pressures including lower than anticipated income collection with the resultant need to increase bad debt provisions have contributed to another difficult year for the HRA. Although the Decent Homes standard deadline has been extended to 2012, the pressure on the Council to deliver to the Decent Homes standard remains.

The General Fund balance has increased since 2006/07 and balances in excess of £30m were achieved in 2008/09. In summary the accounts present an authority where the prospects for further improvements are good. The Council still faces a series of financial risks including the world wide financial effects of the so called 'credit crunch' and an economic recession, but is actively managing these so as to ensure that the financial recovery of the last three years is not jeopardised.

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 2009.

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 2009.



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 30 June 2009

Independent Auditors' Report to Members of London Borough of Lambeth

Opinion on the Authority accounting statements

We have audited the accounting statements and related notes of Lambeth Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account and related notes 1 to 16, the Statement of the Movement on the General Fund Balance and related note of reconciling items, the Balance Sheet and related notes 1 to 28, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and related notes 1 to 5, the Housing Revenue Account and related notes 1 to 14, the Statement of Movement on the Housing Revenue Account the Collection Fund and the related notes 1 to 4. The accounting statements 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

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

We read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our 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 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 accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the Authority 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 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts

We have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes 1 to 13. The 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, 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.

We read other information published with the accounting statements and related notes as described in the contents section and consider whether it is consistent with the audited accounting statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our 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 pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, 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


We are 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 our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent me from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Lambeth Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until the District Auditor has completed his consideration of matters brought to his attention by local authority electors in respect of prior year accounts. We are satisfied that these matters do not have a material effect on the financial statements.



Nigel Johnson

for and on behalf of Deloitte LLP

Appointed Auditor

St Albans, United Kingdom

30 September 2009

ANNUAL GOVERNANCE STATEMENT

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. The Council's arrangements for ensuring good Corporate Governance are embedded in its constitution, policies and procedures. It has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is included in the Council's Constitution.
- 1.4. This Statement explains how the Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control, (Annual Governance Statement). It 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 2009 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:
- 3.2. Identifying, communicating and reviewing the Council's vision and outcomes
- 3.2.1 The Council has a Corporate Plan (2008-11) which sets out the corporate vision, priorities and outcomes the organisation are working toward. It is produced after a robust combined service and financial planning process which ensures that budget proposals are based on the outcomes framework. The Council, working with strategic partners and local communities set out the following three priority outcomes:
 - delivering high quality services that focus on individuals' needs and represent value for money,
 - tackling inequality and social exclusion,
 - engaging more closely with Lambeth's citizens so that people's needs are listened to and acted upon.
- 3.2.2 The Council's Corporate Plan is based on the same long-term vision and goals as the Sustainable Community Strategy (2008-2020) and is refreshed, through stakeholder consultation, on an annual basis to ensure that it still reflects the needs and priorities of Lambeth residents and the administration. The long-term outcomes from the Sustainable Community Strategy (SCS) are incorporated in the outcomes framework in the Corporate Plan. In addition, the Local Area Agreement (LAA), which is the three-year delivery plan for the SCS is integrated into the Corporate Plan. The Council measures progress on the Corporate Plan objectives by mapping the

agreed list of performance measures from central government against the Corporate Plan priorities and outcomes, as per the performance and quality management framework (PQMF).

- 3.2.3. Regular reporting of delivery of the Corporate Plan strategic projects is undertaken through the monthly/quarterly performance reports. A series of 'in-house' communications have been mounted to raise corporate awareness of priorities. Further, an annual report is published for residents. There is a comprehensive communications plan about the corporate priorities, notably a poster campaign in council buildings. There is also a 'making a difference' section of the council's intranet, which was developed to link to the Corporate Plan/priorities to action on the ground and demonstrate to staff how the council is working to achieve results against our priorities.
- 3.2.4. The Chief Executive set out in 2006 a strategic plan to deliver this vision in a document entitled 'Four in Four', to make clear his plans to staff. This clearly outlines a vision for the Council to achieve 4 stars in 4 years. Progress against this ambition was given in his annual 'Our journey to a better Lambeth' in January 2009.

3.3 Measuring the quality of services for users and value for money

- 3.3.1. The Council has a track record of setting priorities and delivering against them. Value for Money (VfM) was made a corporate priority in 2003 and has been at the heart of the organisation ever since through mainstreaming methods of analysing cost and performance both departmentally and corporately. The VfM strategy supports the Sustainable Community Strategy (SCS). The VfM Strategy is supported by an intranet based VfM resource which provides guidance, information and access to VfM tools. A VfM Benchmark Review process has been developed and successfully used.
- 3.3.2. Procurement and strategic commissioning play an important role in ensuring efficient, effective and economic use of council resources. The introduction of a programme of strategic reviews assesses vfm through key performance indicators and delivers continuous improvement and innovation. The council also utilises collaborative arrangements, where possible, to source new services in a commitment to ensuring vfm and economies of scale including contract e-auctions in collaboration with an OGC led consortium.
- 3.3.3. The council has improved the breadth and quality of benchmarking information it uses as a key facet of the drive to secure greater efficiencies and deliver excellent services. Lambeth Council actively participates in a number of benchmarking clubs across the council including Financial Services, Learning Disabilities, ICT, and VfM clubs (designed by KPMG and public sector audit agencies).

3.4 Roles and responsibilities of Members and Officers

- 3.4.1. The Council's constitution describes the roles and responsibilities of members and senior officers. The Constitution is kept under regular review. All statutory obligations are formally established through the Scheme of Delegation, and outlined in structure charts. All organisational structure charts are available on the intranet.
- 3.4.2. Cabinet and Strategic Leadership Board (SLB) provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. 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.
- 3.4.3. There is one overarching Overview & Scrutiny Committee with five 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.
- 3.4.4. The Council also has committees which oversee its regulatory functions, that is, those concerning licensing and planning.
- 3.4.5. The Standards 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.

3.5 The standards of behaviour for members and staff

- 3.5.1. The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards. The member and officer Codes of Conduct reinforces the Council's commitment to all related statutory and ethical duties and is publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers and reviewed regularly.

- 3.5.2. The staff code of conduct sets down the standards it expects from all employees. All members and employees must sign the code of conduct. 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.
- 3.5.3. The Council has a Model Code of Conduct for members. This sets out the general principles that govern the conduct of members. Part 5 of the constitution outlines how councillors and officers of the Council must conduct themselves according to the statutory code of conduct, and other codes of conduct and protocols.
- 3.6 *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*
- 3.6.1. Decision-making processes are transparent and result in relevant and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming significant decisions are published in the Forward Plan and the officer delegation scheme ensures that routine decisions are made at the right level, with Cabinet focusing on policy development, strategic and cross cutting issues.
- 3.6.2. 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 Constitution Working Group led by the 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.
- 3.6.3. Risk management is well-developed and is central to, and embedded in, the wider service delivery and decision-making processes. The corporate Risk Management Strategy 2007 - 2010 was reviewed and updated during July 2008 in line with the annual review schedule. There is 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. The Council recognises the importance of ensuring that risks are effectively managed across partnerships and that resources and intelligence are shared to ensure risks are identified and controlled.
- 3.7 *Role of the audit committee*
- 3.7.1. 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. Its terms of reference, structure, composition and work programme have been developed with reference to the guidance issued by CIPFA in 2005, "Audit Committees: Practical Guidance for Local Authorities". 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.
- 3.8 *Compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful*
- 3.8.1. Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures by the Council which include:
- Notification of changes in the law, regulations and practice to Directorates;
 - Awareness, understanding and training carried out by internal officers and external experts;
 - The drawing up and circulation of guidance and advice on key procedures, policies and practices;
 - Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Executive Director of Finance and Resources) and the Monitoring Officer (Director of Legal and Democratic Services).
- 3.8.2. Compliance with the new or revised policies is monitored by the relevant key officers. Internal Audit reviews compliance and outstanding issues are reported to the Corporate (Audit) Committee and the Finance Strategy Board (see 3.7.1).
- 3.8.3. Under Section 5 of the Local Government and Housing Act 1989 the Monitoring Officer is required to report to the Council where, in his/her opinion, a proposal, decision or omission by the Council, its Members or Officers is or is likely to be unlawful and also to report on any investigation by the Local Government Ombudsman. It has not been necessary for the Monitoring Officer to issue a formal report for the year 2008/09.
- 3.8.4. The Section 151 officer also has a legal responsibility to issue formal reports if he has particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2008/09 financial year.

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

3.9 Whistle-blowing and complaints procedures

- 3.9.1. The Council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has whistleblowing procedures in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way. The Council has re-launched its Whistleblowing Charter during the year. Allegations are investigated independently by Internal Audit and reported regularly to the Standards and Corporate Committees. The Committees ensure that the corrective action taken is robust.
- 3.9.2. The Contract Regulations require officers preparing contracts to include references to the Council's Confidential Reporting Policy. Copies of the policy itself are available on the Council's web site and are provided to staff when they join the Council.
- 3.9.3. 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.

3.10 Member and Officer development needs

- 3.10.1. 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. 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'.
- 3.10.2. The development needs of all staff, including Executive Directors and Heads of Service development needs are identified through the staff performance review process. Knowledge of financial management and the economic environment are actively promoted through a finance training curriculum and risk management champions. Councillors are offered the CIPFA Guide to Local Government Finance which is published on the Finance and Resources intranet and can access a programme of internal and external training and development opportunities including e-learning through Modern Councillor.
- 3.10.3. Appropriate induction training is provided. The purpose of induction is to ensure the effective integration of staff into the organisation for the benefit of both parties. There are four levels of mandatory induction training consisting of an HR induction and a Lambeth Council induction to express the vision and values, community strategy, corporate plan and the future directions of the Council. There are then departmental and workplace inductions which cover service strategies and priorities.

3.11 Communication and consultation with the community and other stakeholders

- 3.11.1. Robust internal and external communications are important to the Council. There is a communications strategy covering 2008-2010 which sets out how it will prioritise and manage projects that have cross-council significance. This is based on improved audience understanding and research.
- 3.11.2. The Council uses a number of channels to both consult and communicate with the community and other stakeholders. Consultation methods range from quantitative self-completion questionnaires to focus groups depending on the target audience and the objectives of each consultation project. Regular communication channels include the residents' magazine delivered to all households, a proactive media relations programme (radio, TV, newspapers), parish and community notice boards, and information stands in 60 locations throughout the borough. The Council's website is continually expanding both in its content and its functionality. The use of electronic and digital communication channels are now being introduced by the Council, including the use of text messaging and web casting.
- 3.11.3. A stakeholder strategy has been established and it prioritises support for the Chief Executive and Leader but also examines how messages are co-ordinated for all our stakeholders using SLB, Cabinet and the Mayor. A comprehensive consultation calendar ensures that residents and stakeholders contribute to the way Lambeth Council sets its budget and allocates resources. The annual budget consultation now engages with over 1,000 people whose views on strategic cost issues and spending proposals are heard.

3.12 Governance arrangements for partnerships

- 3.12.1 The Council shares a vision with its partners for the borough, documented in the 2008-2020 SCS. It ensures each of its significant partnerships under the Local Strategic Partnership (LSP), Lambeth First, has an appropriate form of governance that is formally documented. The document sets out the legal status, accountabilities, decision-making processes, and roles and responsibilities of the partnership. Terms of

reference outline the purpose for the partnership and its decision making powers. One such example is the Lambeth Health and Well Being Partnership where terms of reference were approved in September 2008.

- 3.12.2 The Council has prepared a Local Code of Practice of Corporate Governance which sets out how it aims to meet corporate governance requirements.

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.

- 4.2 Maintaining and reviewing the effectiveness of the system of governance is achieved through:

4.2.1. *The assessment of the Council under the CPA Framework by the Audit Commission (including the annual Use of Resources Assessment).*

The 2008 Use of Resources Assessment showed that the Council maintained a score of 3. The CA inspection held in September 2008 also maintained a 3 star (improving well) overall performance. The CA report contained four major recommendations, see 5.2.

4.2.2. *The governance structures and processes*

- 1) The Council regularly reviews and matches its governance structures and processes to council-wide priorities. In March 2009, the Strategic Leadership Board agreed changes to the Governance Arrangements within the Council.
- 2) The Council's constitution sets out the responsibilities of both Members and Senior Officers. In particular the Council has identified the five 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
- 3) The Council has adopted the Leader and Cabinet model of political management under the Local Government Act 2000. Ultimate authority rests with the Council meeting as a corporate body, but the responsibility for policy in specific areas is delegated to Cabinet and separate Committees. At the full Council meeting held on 7 May 2008 the Council formally approved the appointment of Cabinet Members and creation of full Committees. It also adopted the Scheme of Delegation. Minutes and papers for all Council and Committee meetings are in the public domain and are freely available on the Council's web site.
- 4) During the year, the Overview and Scrutiny Committee and its five sub-committees met six times each. Four call-ins were received during the year requiring two additional meetings and two further special meetings (Finance and CYPs Scrutiny Sub-Committees) were held. A number of scrutiny commissions were established during the year as others completed their work and reported their findings. 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.
- 5) 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.
- 6) The Corporate (Audit) Committee's annual report was produced in April 2009 and circulated to all members who will have the opportunity to raise questions at full Council. The effectiveness of the Audit Committee forms part of the overall assessment of the effectiveness of Internal Audit, discussed below. Audit Committee have provided challenge in some areas such as audits with limited/no assurance by asking the relevant directors to come to the meeting to discuss their corrective actions. The Audit Committee's Terms of Reference also include oversight of the risk management arrangements at the Council.

4.2.3. Regular reviews of ethical standards policies and procedures

- 1) The Council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training. All members are offered ethics training. There are good levels of attendance and one-to-one training is offered for members unable to attend. Internal Audit runs five whole-day workshops each year on countering fraud, which cover ethical behaviour through the use of case studies. Staff have fed back that the case studies are useful in providing a better understanding of the issues.
- 2) All Standards Committee members receive specialised training before they are allowed to exercise functions as a member of the committee. The Council's monitoring officer keeps members and officers informed of developments in ethical matters and relevant information. The minutes and agendas of the Standards Committee show how ethical standards are considered. The Standards Committee reviews and oversees councillor training and the Council's Whistle Blowing Policy. The Committee receives annual reports on member conduct and complaints made against members.
- 3) The Standards Committee reviewed and adopted the Members' Code of Conduct and various related protocols, leading on training on the ethical framework. Its annual report showed the work of the Committee over the year, including information on the Committee's Role and Terms of Reference, an overview of its activities during the year and a report on the monitoring of complaints and compliance with the Code of Conduct.
- 4) The agenda items considered by the Committee included:
 - Whistleblowing allegations: update
 - Draft Officer Code of Conduct
 - Local assessment of allegations of misconduct by a Member
 - SBE Bulletins
 - Procedure for local determination hearings
 - Consultation on a revised Code of Conduct for Members
 - Ethical Governance
 - Health Check – IDeA progress update against management actions
- 5) During the period covered by this report, the Standards (Assessment) Committee assessed 2 complaints against members of the Council.
- 6) The two main areas in respect of which some further training is required are the new local assessment framework (for members of the Standards Committee) and the revised Code of Conduct for Members (all members). Regarding the local assessment regime, a detailed discussion and Q&A session was held during the Committee's meeting on 1 July 2008 and a similar approach was adopted at the meeting on 18 November 2008 in relation to the revised local determination procedure for the conduct of hearings. These will be followed up with targeted training in the light of experience of the first year of operating the new regime. Training on the revised Model Code of Conduct for Members will be rolled out once the revised Code has been published and adopted by the Council some time in 2009.
- 7) The Council has clear policies for the receipt of gifts and hospitality which are communicated to members and staff and are well understood. The standards are kept on the intranet along with instructions on how to record, register and monitor gifts and hospitality received. Executive Directors conduct quarterly checks on registers and liaise with Divisional Directors on any issues arising. Internal Audit review the maintenance of the registers annually.
- 8) The Council has five investigations teams who carry out a structured programme of work. They work closely with KPMG, as part of the 3-year strategy 'A Counter Fraud Strategy for Lambeth: Protecting Lambeth against fraud – delivering resources for better public services', and the MET Police Officer based within the Council. A new website www.lambeth.gov.uk/fraud, launched with the strategy, continues to grow and publicise work in this area to promote an anti-fraud culture. The Council ensures that where funds are targeted by fraudsters that the monies are recovered and used in frontline services. A police officer (seconded from the Metropolitan Police) continues to work alongside our investigation teams and advise them on criminality and shares intelligence. The teams have achieved good outcomes as evidenced by their level of prosecutions, number of staff disciplinary hearings, overpayments recorded and savings achieved. They have also maximised the results of the National Fraud Initiative.

4.2.4. Review and update of the corporate strategic risk register to reflect the changing nature of the strategic risks faced by the Council.

- 1) The Council's risk management is fully integrated into service areas and major projects. The Council uses the proven JCAD risk management system to record risks on a central register. The Council manages and monitors both risks that are threats as well as opportunities. Internal Audit review the quality of operational risk registers as part of reviews as standard and management can use the information to update the risk profile for their area of responsibility.
- 2) Following a 2008/09 audit commission review, the Council has held a number of workshops with the borough's LSP, Lambeth First, to improve risk management culminating in the development of the Lambeth First risk strategy. A project risk management toolkit has also been drafted, and the top ten strategic transformation (corporate projects) risks have been added to the risk register.
- 3) Risk reporting is undertaken regularly to the governance fora including the Corporate (Audit) Committee, Strategic Leadership Board and Departmental Leadership Teams.
- 4) The Council ensures that risks are effectively managed across partnerships and that resources and intelligence are shared to ensure risks are identified and controlled. The partnership risk management toolkit sets out provision for risk management in partnerships and partnership risks are included on the corporate risk register. The Lambeth First risk strategy has now been developed and agreed. The schools programme promoted risk awareness in Lambeth's schools resulting in many schools identifying their risks and developing their own registers. This resulted in insurance premium discounts for many of these schools.
- 5) The Council recognises the risk arising from the potential impact of the recession and banking sector pressures and have issued guidance to its managers. In November 2008, the Council's Credit Crunch Taskforce made recommendations that would safeguard the Council's residents and business during the global financial downturn. A key recommendation was to map the number of customers who use the Council's services and identify the most financially vulnerable through data sharing between the council tax and housing benefit databases.

4.2.5. The annual review of the effectiveness of the system of Internal Audit.

- 1) The Internal Audit service operates under regulation 6 of the Accounts and Audit Regulations 2003 (amended 2006) and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government. The Council's Financial Regulations and Internal Audit Charter grant Internal Audit an unrestricted right of access to all Council records and property. They also confirm the organisational independence which allows Internal Audit to form an objective opinion on the adequacy and effectiveness of the whole system of internal control.
- 2) The Chief Internal Auditor reports to the Executive Director (Finance & Resources) and also reports directly to the Chief Executive on a regular basis, and other Executive Directors and Members of the Council, if required.
- 3) The plan of work undertaken by Internal Audit is prepared with regard to the risks faced by the Council and following discussions with Executive Directors and Heads of Service. It is presented to and approved by the Corporate (Audit) Committee. The scope of work included in the annual audit plan extends beyond financial governance to include corporate governance, risk management, probity, value for money, effectiveness and compliance with laws and standards.
- 4) The outcome of all Audit reviews is reported to the responsible Executive Director and Head of Service as well as to the Executive Director of Finance & Resources (Section 151 officer). A summary of the report is also presented to the Corporate (Audit) Committee.
- 5) Where recommendations for the improvement of controls or systems are made at the end of an Audit review, these are agreed with the responsible managers together with details of the required action and an expected date for implementation. These actions will then be included on a Tracker system which is used to monitor implementation. Reports from this system are provided to the Audit Committee on a regular basis.
- 6) Where action to address issues is not undertaken within the pre-determined timescales the Corporate (Audit) Committee can and has required the responsible manager to attend a formal meeting and be personally accountable.
- 7) External Audit has continued to rely on the work of Internal Audit where appropriate.
- 8) An effectiveness review has been carried out as part of the process for compiling the Annual Governance Assessment and used a self assessment checklist, which concluded, as in the previous year, that "the system

of internal audit is effective, with only minor areas for development in order to ensure full compliance with the CIPFA Code of Practice for Internal Audit in the United Kingdom 2006”.

4.2.6. The annual opinion of the Head of Internal Audit on the adequacy of internal control arrangements based on the outcomes of individual audit reviews.

An annual assurance report has been prepared and the 2008/09 opinion is:

“The Council faced a number of challenges during 2008/09, including the overspend in Temporary Accommodation and in closing the 2007/08 financial statements. Notwithstanding, the work undertaken by Internal Audit and Anti fraud and reported upon during 2008/09, the opinion of the Chief Internal Auditor is that systems of Internal Control were, in general, adequate to prevent significant risks of a strategic and operational nature materialising.

As in 2007/08 we have noted areas of good practice throughout the Council as well as amelioration in the control framework through simplified systems in procurement and financial delegation. However, a number of the issues raised in the prior year annual report have not seen significant improvement. The Council needs to address the behaviour around the compliance to refreshed policies and ensure that middle management are appropriately trained and supported to fulfil their role in overseeing that those officers working to them are adhering to these policies and procedures. In addition, it should be noted that a number of key areas for further improvement were identified covering the control environment in a key council department, namely, Housing, Regeneration and Environment department, low assurance in 3 of the key financial systems, contract management, sustainability, clienting of the ALMO and system security in IT systems.

Further work is also required to ensure that the risks identified during our audit are being appropriately managed by Heads of Service.

The comprehensive and integrated counter fraud strategy being applied with KPMG continued to deliver work streams with a proactive focus on reducing losses and combating fraud including work around culture, deterrence and the design of policies and systems;

The collaborative working of the five dedicated Investigation Teams ensured robust investigations resulting in £6.6m in savings and recovered assets together with 210 successful prosecutions.

The Authority's Corporate Committee has continued to provide an effective oversight function and continues to be effective in dealing with management failure to ensure improvements in systems that have been awarded Limited or No Assurance from our internal audit reviews. “

4.2.7. Development of performance management

The Council has a data quality management framework in place comprising the Performance and Quality Management Framework (PQMF) and the annual cycle of data quality audits. Data quality audits are carried out internally twice a year focusing on performance indicators at risk of under performing. This is supported by the completion of a system form and analytical review form for each national and corporately reported performance indicator. Both forms have been amended to cover partnership accountabilities. System forms set out how data is collected, stored, reported and backed up. An analytical review forms are completed at the year end to analyse outturn against prior years, current target and future targets. The Council has effective data sharing arrangements with its full range of partners, including the LSP, Lambeth First, and has an Overarching Information Sharing Protocol. Sharing data with partners, such as the Police, results in effective strategy formulation to deal with issues that are the centrepiece of the Sustainable Community Strategy (SCS), such as crime.

4.2.8. Annual assurance statement (AAS) returns from Service Directors.

The completed 2008/09 statements have indicated that there are no specific areas where controls are not adequate. The self assessment certification from Executive Directors and Directors for the year ended 31 March 2009 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.

4.2.9. Consideration of complaints made under the formal complaints procedure.

Complaints and Member's Enquiries were reviewed 2008/09 and a number of areas were identified for improvement. As a result, a number of initiatives are being introduced to improve the way that the Council handles and uses complaints and enquiries in 2009/10.

4.2.10. Value for Money (VfM)

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. We have already achieved £36.5 million of Gershon efficiency savings, exceeding the government target of £23 million. Lambeth is the third highest achieving authority in London which is a significant achievement and is £16.5m above the London group average of £20m. The Council is engaged in a number of complex projects with long-term implications. Projects such as the Office Solutions project, Future Lambeth and Building Schools for the Future (BSF) have all involved a series of detailed options appraisals including whole life costing, the affordability of different options and the impact of capital investment on revenue funding.

4.2.11 Emergency planning

The Council is fully prepared for emergencies, its Civil Contingencies Plan sets out the response to emergencies and also contributes to the Primary Care Trust's flu-pandemic plan. 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. Internal Audit reviewed the Council's controls with regard to the ongoing provision of data and transactions in the event of a disaster situation. Recommendations have been made to strengthen the design and operation of controls in relation to disaster recovery.

4.2.12. Data security controls

Lambeth Council has well developed IT and data standards and has made significant progress towards achieving a high level of information security assurance across the Council's systems. The Council is pursuing ISO27001:2005 accreditation for tier one business critical systems and associated information and processes. The Internal Audit function manages a programme of audits with results reported to Departmental Leadership Teams (DLTs) and SLB with corrective action plans agreed with management for their implementation. Staff receive frequent reminders of their data security obligations through internal publications, emails and targeted reminders. The Council has developed clear, and easily understood, information security protocols. These '10 Golden Information Security Rules' have been extensively communicated across the Council and are available to staff through the Council's intranet.

4.2.13. Outcomes of external reviews.

A number of external reviews have taken place during 2008/09 including an Audit Commission Use of Resources and Direction of Travel assessment and CPA Inspection. The outcomes of all inspections and audits, including the Annual Audit and Inspection Letter, (AAIL) are used to plan and improve Council services.

5. **Significant governance and control issues**

5.1. In considering the significant internal control issues contained within the 2007/08 AGS, it is noted that the following enhancements have been achieved:

- 1) The Director of Finance and Resources, as a member of SLB, has been assigned specific responsibility for corporate governance
- 2) The Council has consulted on, drafted and introduced a local Code of Governance
- 3) Under the leadership of the Head of Internal Audit, the Council has established a Working Group as a mechanism for collecting governance assurances


5.2. The 2008/09 evaluation of the assurances surrounding the governance framework has disclosed the following significant issues which the Council will address:

Significant governance and control issues	Action(s) to be taken	Timeframe
Comprehensive Assessment, 2008 Following the successful CA in September 2008, the Audit Commission gave four formal recommendations to the Council. These were in the areas of: <ul style="list-style-type: none">workforce development in general and middle management development	The appendix to the CA report contains actions to address these improvement areas, drawn from existing plans and new proposed actions specifically to address the improvement actions needed. The four actions have been rolled into the corporate plan and departmental	Deadline dates identified between Feb-Jun 09.

<ul style="list-style-type: none"> the availability of information about service standards reduce the number of complaints develop and deliver a coordinated range of services to promote healthier communities and support the well being of older people 	plans where appropriate, and implementation is monitored through the CAA governance board	
<p>2007/08 Annual Audit and Inspection Letter – Section 11 Recommendations</p> <p>The Section 11 recommendations state that the Council should:</p> <ul style="list-style-type: none"> address fully the issues identified at audit, together with robust supporting working papers and audit trails, to conclude the 2007/08 audit expeditiously; take steps to ensure that reliable fixed asset records are prepared and maintained on an ongoing basis; and implement quality control processes to ensure that robust draft accounts and supporting working papers are produced for 2008/09 in a timely manner. 	A detailed council response was submitted to the Corporate (Audit) Committee at its 30 June 2009.	Executive Director, Finance & Resources
<p>Overall Assurance Levels</p> <ul style="list-style-type: none"> The overall proportion of favourable assurance in the systems reviewed was 59% compared to 66% last year and, in particular, the high proportion of low assurance systems in the HRE department (9/15). It should be pointed out that different systems are, in the main, reviewed each year. This poor performance in HRE has clearly impacted on the overall performance of the Council, which would have improved or remained stable. A number of other key areas were identified for further improvement covering contract management, sustainability, clienting of the ALMO and system security in IT systems. 	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.	
<p>Key Financial Systems</p> <p>The Council's objective to achieve High or Moderate Assurance opinions for all of the key financial systems has not been met. There have been positive movements made in some systems, including pensions, parking income and accounts payable, however, there were 3 systems with low assurance levels – leaseholders, housing rents and reconciliations.</p>	Management have agreed, to assistance from, to work with the officers responsible for each system to understand the problems that they face in improving the control environment in these areas. This will then enable actions plans to be developed to work towards addressing any control weaknesses to enable a higher level of assurance to be achieved in future audits.	

<p>Financial Management</p> <p>Financial management within the Housing Revenue Account (HRA) for 2008/09 was an area identified as needing improvement.</p>	<p>Improved management capacity across both the Council and Lambeth Living is already in place, providing a strong leadership focus. An action plan is in place to address the financial position within year. This action plan will be reviewed by the Council 's leadership team monthly. Member and other committee engagement are providing a strong improvement framework.</p>	<p>These actions are underway and being reported throughout the organisation and to cabinet. The financial position on the HRA is targeted to improve by the 31 March 2010.</p>
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- 5.3. 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.

Signature of Chief Executive 

Date 30 Sept 09.

Signature of Leader of the Council 

Date 30/09/09

STATEMENT OF ACCOUNTING POLICIES

General Principles

The accounts have been prepared in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This is to ensure that the Statement of Accounts presents fairly the financial position of the Council, and to ensure it is compliant with relevant statutory accounting requirements issued by the Accounting Standards Board (ASB) that are applicable to the Council for the year ended 31 March 2009.

The accounting convention adopted is historical cost, modified by the revaluation of land and buildings.

Fixed Assets

As required by SORP, all expenditure on the acquisition, creation and enhancement of fixed assets is capitalised on an accruals basis, and added to the value of the assets shown in the Balance Sheet.

Expenditure on the enhancement of assets, including housing stock is added to the value of that asset in the year it is incurred. Subsequent revaluations will adjust the asset values, reflecting upward/downward movement in the carrying value.

Assets acquired under Operating Leases are not shown in the Balance Sheet – lease rentals on these assets are charged directly to service revenue accounts and are outside the arrangements for capital charges to revenue.

All fixed assets are shown in the Balance Sheet at value consistent with the recommendations of CIPFA contained within the Capital Accounting Provisions of SORP, and 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 the groupings required by SORP.

Fixed Assets Category	Valuation
Council Dwellings	Existing Use Value (EUV) – Social Housing; The market value has been adjusted to reflect the fact that it is social housing and that full market rents are not receivable by the Authority.
Specialist Operational land & property	Depreciated Replacement Cost (DRC) or Existing Use Value (EUV) where market evidence of EUV is available.
Non-Specialist Operational land & property	These assets are included in the Balance Sheet at the lower of Net Current Replacement Cost (NCRC) and Net Realisable Value in Existing Use (NRV-EU). This has been represented by the open market value in existing use (OMV-EU) or, where no market exists for a particular type of property, the Depreciated Replacement Cost (DRC) or Open Market Value (OMV) where appropriate.
Non-operational properties (Investment and Surplus)	Non-operational properties, including those surplus to requirements and Investment Properties are shown at Market Value (MV)
Vehicles, Plant & Equipment, Infrastructure and Intangible assets	These assets are shown at Depreciated Historic Cost (DHC)
Community Assets	Parks and Open spaces are shown at nominal value. Equipments and Buildings within the boundaries of the Parks and Open Spaces are included at Depreciated Historic Cost (DHC)
Assets Under Construction	These assets are shown at cost until they come into operation, at which time their treatment will follow Operational Properties.

De Minimis Level

Expenditure below £20,000 is not capitalised and so is charged to the Income and Expenditure Account.

Revaluation and Impairment

The Council has a five-year rolling programme of revaluation of assets to ensure that all assets are revalued at least once during that period. All asset re-valuations are carried out on behalf of the Authority by Lambert Smith Hampton – Property Solutions, a RICS qualified valuer.

Impairment reviews on all groups of assets are conducted on an annual basis. Where an impairment loss is caused by the clear consumption of economic benefits, the loss is recognised in the relevant service revenue account in the Income and Expenditure Account and thus charged against the Net Cost of Services and Net Operating Expenditure. Impairments caused through a general fall in prices are recognised in the Revaluation Reserve to the extent that there are accumulated revaluation gains for the asset to absorb the loss and thereafter, in the Income and Expenditure Account.

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:

Asset Category	Useful Economic Life
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 Parks and Open Spaces which are included within the Community assets as they are held in perpetuity.

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.

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. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

There is some expenditure which legislation classifies as capital, although it does not result in the creation of fixed asset belonging to the Authority. An example is where the Council pays an improvement grant in respect of a private sector dwelling. These were previously defined as Deferred Charges. When such expenditure is incurred it is debited to the relevant service account. Any expenditure which is allowed to be financed from capital resources is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement in General Fund Balance to ensure there is no impact on council tax.

Intangible Assets

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. The balance is amortised to the relevant service revenue account over the economic life of the asset to reflect the pattern of consumption of benefits.

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.

Contracts under the Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor.

In carrying out the assessment of the risks and rewards for elements of contracts that involve property, an assessment is made of the substance of the transaction and whether the Council or the operator is exposed to the majority of the risks and rewards of ownership. In carrying out this assessment the Council applied the Treasury Taskforce Guidance Note (TTF). The SORP requires the Council to apply Application Note F to FRS 5 'Private Finance Initiative and Similar Contracts'. CIPFA's Guidance Notes for Practitioners state that the TTF Guidance Note is influential but not mandatory in

applying FRS 5 and accordingly, where the two appear to conflict, the principles of FRS 5 should take precedence. The Council believes that it is more appropriate to account for these transactions by applying the TTF Guidance directly, which in this case leads to a different answer, as this reflects accepted practice in other local authorities with PFI contracts and enables comparability.

Smoothing Reserve – The reserve operates to even out the flow of income and payments over the life of its PFI contracts. 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 interest 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 and Vehicles, Plant and Equipment 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 evenly 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.

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 assessed that there is no requirement to prepare group accounts this year as the Council does not have interests in group entities which are material to these financial statements. The creation of the wholly owned company United Residents Housing during 2006/07 and the introduction of an Arms Length Management Organisation – Lambeth Living Ltd - for the management of Council dwellings on 1 July 2008 required a careful review of the Council's position. It was determined that the transactions and balances were not such that they would materially impact information given in these accounts on the overall financial performance and position of the Council and accordingly there was no requirement to incorporate in group accounts.

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 earning 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 methodology, which is applied across the Council generally, although there are also some large areas of business where a different bad debt provision methodology 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 benefit overpayment	50%*	100%	
Council Tax			Based on analysis of past collection history, taking into account forecast reduction in collection of arrears
National non-domestic rates	5% (over 6 months)	50%	Bankruptcy etc (95%)
Parking Income			Stepped percentage according to age of debt
Section 20 Major works			20% up to 2 years 40% 2 to 3 years 70% 3 to 5 years 90% over 5 years
Leaseholder's Service Charges			As Section 20 works

*This is applied to 0-360 days.

The basis for the Bad Debt Provision calculation has changed in 2008/09 for Council Tax, Parking Income, Section 20 and Leaseholder Service Charges after an in-year review.

Re-basing of Pension Liability

The Pension Liability has been re-based such that it has increased the liability by £3.693m on an existing liability of £288.4m. This stems from a change in the basis of valuation of the investments within the Pension Funds from mid-market value to bid value following a change in the requirements of the SORP.

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 1 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 £25m as at 31 March 2009.

Re-categorisation of Net Cost of Services under Best Value Accounting Code of Practice (BVACOP)

2007/08 comparative figures in the Income and Expenditure Account have been restated to fall in line with changes in the 2008 BVACOP in respect of Service Expenditure Analysis.

INCOME AND EXPENDITURE ACCOUNT

	2007/08 Restated Net spending £'000	Note	Gross spending £'000	2008/09 Income £'000	Net spending £'000
Central services to the public	14,539		127,281	(112,618)	14,663
Cultural, environmental and planning services	69,353		77,132	(14,899)	62,233
Education and children's services	74,159		403,830	(309,062)	94,768
Highways and transport services	(3,374)		37,155	(34,450)	2,705
Local authority housing (HRA)	(23,546)		140,630	(157,088)	(16,458)
Other housing services (non-HRA)	22,783		220,555	(195,564)	24,991
Adult social care	95,393		151,508	(52,959)	98,549
Corporate and democratic core	7,838		90,803	(92,241)	(1,438)
Non-distributed Costs	1,404		6,514	0	6,514
Exceptional Items – Impairment of property	197,545	15	90,376	0	90,376
NET COST OF SERVICES	456,094		1,345,784	(968,881)	376,903
Loss/(Gain) on the disposal of fixed assets	193				(4,383)
Interest payable and similar charges	37,598				36,791
Other Income (RTB discounts repaid and sales & leasehold extensions)	0				(370)
Amortisation of premiums/discounts	2,666				0
Contribution of housing capital receipts to Government Pool	15,723				3,772
Interest and investment income	(15,483)				(15,002)
Pensions interest cost less return on assets	7,315				18,230
Net Operating Expenditure	504,106				415,941
Demand on the Collection Fund	(88,042)				(93,059)
General government grants	(29,631)	8			(46,502)
Overhanging debt grant	(13,083)				0
Non-domestic rates redistribution	(168,141)				(181,943)
Transfer to/from the Collection Fund in respect of the surplus	(1,681)				(1,681)
Deficit for the Year	203,528				92,756

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2007/08 £'000	2008/09 £'000
Deficit for the year on the Income and Expenditure Account	203,528	92,756
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year	(215,052)	(106,755)
Increase in General Fund balance for the year	(11,524)	(13,999)
General Fund balance brought forward	(21,674)	(33,198)
General Fund balance carried forward	(33,198)	(47,197)
Amount of General Fund balance held by governors under schemes to finance schools	(16,488)	(16,244)
Amount of General Fund balance generally available for new expenditure	(16,710)	(30,953)
	(33,198)	(47,197)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007/08 £'000	2008/09 £'000
Deficit for the year on the Income and Expenditure Account	203,528	92,756
(Surplus)/deficit arising from revaluation of assets	(313,252)	71,423
Actuarial (gains)/losses on pension fund assets and liabilities	(68,952)	120,189
Premiums transferred to Financial Instruments Adjustment Account	953	0
Movement on the Collection Fund Balance	14	7,966
Total recognised (gains)/ losses for the year	(177,709)	292,334

BALANCE SHEET

		31 March 2008	31 March 2009
	Note	£'000	£'000
FIXED ASSETS			
Intangible fixed assets	4	11,177	6,908
Tangible fixed assets (net of depreciation)	1, 2, 3		
Operational assets			
Council dwellings		1,778,178	1,635,077
Other land & buildings		449,343	445,818
Vehicles, plant furniture & equipment		4,279	5,692
Infrastructure assets		80,064	85,539
Community assets		16,823	22,153
Non-operational assets			2,194,279
Assets under construction		42,892	73,674
Surplus assets held for disposal		15,875	41,824
			115,498
TOTAL FIXED ASSETS		2,398,631	2,316,685
Long-term investments		5	15,005
Long-term debtors	16	917	704
TOTAL LONG-TERM ASSETS		2,399,553	2,332,394
CURRENT ASSETS			
Stocks		0	3
Debtors	15	151,350	125,389
Investments	13	282,800	201,477
Cash at bank		40,987	33,015
			359,884
TOTAL ASSETS		2,874,690	2,692,278
CURRENT LIABILITIES			
Creditors	18	(179,538)	(143,866)
Bank overdraft		(39,342)	(29,454)
			(173,320)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,655,810	2,518,958
LONG-TERM LIABILITIES			
Long-term borrowing	14	(686,481)	(675,797)
Provisions	25	(32,924)	(20,725)
FRS17 Pensions liability	26	(288,412)	(411,852)
Government and other capital grants deferred		(32,839)	(82,263)
Capital grants unapplied		(53,359)	(58,860)
TOTAL NET ASSETS		1,561,795	1,269,461
FINANCED BY			
Capital Adjustment Account	7	(1,432,995)	(1,354,549)
Revaluation Reserve	6	(265,267)	(186,596)
Usable Capital Receipts Reserve	8	(52,247)	(33,389)
Deferred capital receipts	17	(626)	(413)
Major Repairs Reserve		(31,195)	(6,352)
FRS17 Pensions reserve		288,412	411,852
Financial Instruments Adjustment Account	10	4,475	2,691
Fund balances and reserves			
General Fund (exclusive of LMS balances)		(16,710)	(30,953)
LMS balances	21	(16,488)	(16,244)
Collection Fund		(8,365)	(399)
Housing Revenue Account		634	12,217
Other Reserves	19	(31,423)	(67,326)
TOTAL CAPITAL AND REVENUE RESERVES		(1,561,795)	(1,269,461)

CASHFLOW STATEMENT

	Note	£'000	2007/08 £'000	2008/09 £'000
REVENUE ACTIVITIES				
Cash Outflows				
Cash paid to and on behalf of employees		280,734	289,381	
Other operating cash payments		701,764	844,742	
Housing Benefit paid out		88,736	102,422	
NNDR payments to national pool		78,900	88,656	
Payments to capital receipts pool		17,290	3,772	
Precepts paid		30,291	31,160	
			1,197,715	1,360,133
Cash Inflows				
Rents (after rebates)		(52,370)	(54,513)	
Council Tax receipts		(100,144)	(105,939)	
Community Charge receipts		(4)	(1)	
Receipts from non-domestic ratepayers		(84,851)	(95,913)	
Contributions from NNDR Pool		(168,141)	(181,943)	
Revenue Support Grant		(28,217)	(25,328)	
DWP grants for benefits		(205,549)	(216,763)	
Other Government grants	4	(292,080)	(305,056)	
Cash received for goods and services and other operating cash receipts		(320,210)	(422,557)	
			(1,251,566)	(1,408,013)
NET CASH INFLOW FROM REVENUE ACTIVITIES			(53,851)	(47,880)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash outflows				
Interest paid		37,504	37,056	
Cash inflows				
Interest received		(13,760)	(15,216)	
			23,744	21,840
CAPITAL ACTIVITIES				
Cash outflows				
Purchase of fixed assets		111,153	137,380	
Purchase of long term investments		0	15,000	
Revenue expenditure funded from capital under statute (REFFCUS)		27,319	15,695	
Other capital cash payments		0	0	
Cash inflows				
Sale of fixed assets		(57,786)	(8,553)	
Capital grants received	5	(71,435)	(58,950)	
Other capital cash receipts		(2,423)	(5,810)	
			6,828	94,763
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING			(23,279)	68,723
MANAGEMENT OF LIQUID RESOURCES				
Net increase/(decrease) in short-term deposits	3		20,916	(81,323)
FINANCING				
Cash outflows				
Repayments of amounts borrowed				
Long-term loans		0	10,684	
Short-term loans		0	0	
Cash inflows				
New long-term loans		0	0	
New short-term loans		0	0	
NET CASH OUTFLOW/(INFLOW) FROM FINANCING			0	(70,639)
(INCREASE) IN CASH			(2,363)	(1,916)

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

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

REFFCUS is an acronym for Revenue Expenditure Financed From Capital Under Statute

	2007/08	2008/09
	£000	£000
	£000	£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	2,791	1,785
Depreciation of fixed assets	(20,554)	(20,425)
Impairment	(197,545)	(90,376)
Excess of depreciation charged to HRA services over the Major Repairs Allowance element of Housing Subsidy	(1,668)	2,696
Government Grants Deferred amortisation	12,327	532
Overhanging debt grant	10,418	0
Disposal costs funded from capital receipts	0	(81)
Write downs of REFFCUS to be financed from capital resources	(12,186)	(5,984)
Other Income (RTB discounts repaid and sales & leasehold extensions)	0	370
Net (loss)/gain on sale of fixed assets	(193)	4,383
Net charges made for retirement benefits in accordance with FRS 17	(29,713)	(41,011)
	(236,323)	(148,111)
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 for the year		
Minimum revenue provision for capital financing	8,771	8,818
Transfer of Adj A to General Fund (See note 14)	0	(23,250)
Commutation adjustment	(3,961)	(3,499)
Capital expenditure charged in-year to the General Fund Balance	750	200
PFI - assets to be returned to LBL	771	776
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(15,723)	(3,772)
Employer's contributions payable to the Lambeth Pension Fund and LPFA and retirement benefits payable direct to pensioners	38,514	37,763
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	29,122	17,036
Housing Revenue Account balance	1,328	(11,583)
Net transfer (from) / to earmarked reserves	(9,179)	35,903
	(7,851)	24,320
Net additional amount required to be credited to the General Fund balance for the year	(215,052)	(106,755)

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 £2.331m in 2008/09. In 2009/10 the commitment is approximately £2.331m, 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 2008/09 the authority made payment of £1.955m to RM Plc and is committed to making payments estimated at £2.135m for 2009/10 under the contract with RM Plc for the provision of ICT managed services in 10 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 have seen 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 2008/09 these payments amounted to £2.491m and will rise to approximately £2.778m in 2009/10. They will then revert to £2.596m per annum from 2010/11 until 2030/31, the final year of the contract, when the charge will be £1.954m.

The Streatham Customer Centre opened at Gracefield Gardens in January 2008. The centre, which is operated in partnership with Lambeth PCT, is based in their building and provides access to the full range of Lambeth Services. The contract with the PCT commenced in October 2007 and the estimated charge for 2008/09 is £355k. The invoice for 2009/10 is expected to be of the same amount adjusted for the effects of inflation.

2. Street Market Operations

Income from market operations arises 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 dismantling of stalls, where applicable, and the collection of rents from market traders.

	2007/08 £'000	2008/09 £'000
Income	(467)	(574)
Expenditure	467	536
Deficit/(Surplus)	0	(38)

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.

	2007/08 £'000	2008/09 £'000
Recruitment advertising	683	677
Other advertising	8	156
Promotions and other publicity	575	431
	1,266	1,264

In addition, the Council produces a twice-monthly borough newspaper called "Lambeth Life" which had a net cost of £272k in 2008/09.

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 2008/09		Total Building Control	
	Chargeable	Non-Chargeable	
	£'000	£'000	£'000
Expenditure			
Employee expenses	819	205	1,024
Premises	0	0	0
Transport	8	2	10
Supplies and services	58	14	72
Third-Party Payments	0	0	0
Central & support charges	134	34	168
	1,019	255	1,274
Income			
Building Regulation charges	(737)	0	(737)
Miscellaneous income	(60)	0	(60)
	(797)	0	(797)
Deficit for the year	222	255	477

Building Regulations Charging Account 2007/08		Total Building Control	
	Chargeable	Non-Chargeable	
	£'000	£'000	£'000
Expenditure			
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)
Miscellaneous income	(160)	0	(160)
	(1,190)	0	(1,190)
(Surplus)/deficit for the year	(226)	242	16

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. The transactions are as shown below.

	2007/08	2008/09
	£'000	£'000
Charges receivable	7,151	7,515
Amount paid to Thames Water	5,259	6,063
Collection cost	1,892	1,452

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 2003/04 Care Providers invoiced the PCT directly). The transactions for 2008/09 are shown below, and include 4 types of services namely Older Persons, Physical Disabilities, Learning Disabilities and Mental Health

	2007/08	2008/09
	£'000	£'000
Nursing Care cost	1,519	1,422
PCT Contribution	1,519	1,422

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 2008/09 £280k of income was raised on behalf of WQBA, of which £20k was reimbursed to meet the costs of collection by Capita (£276k in 2007/08, and £16k). 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 £1.638m in 2008/09 (£1.927m in 2007/08) and the related expenditure was £3.969m in 2008/09 (£2.631m in 2007/08).

7. Pooled Budgets under s31 Health Act 1999

The Council has one such scheme. 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 are shown below.

	2007/08	2008/09
	£'000	£'000
Income		
From LB Lambeth	22,407	22,916
From Lambeth PCT	9,672	10,291
	32,079	33,207
Expenditure	32,079	33,207

8. General Government Grants

The breakdown of government grants recognised in the accounts during the year is below:

	2007/08	2008/09
	£'000	£'000
Revenue Support Grant	28,217	25,328
Area Based Grant	0	20,184
LABGI	912	987
Compensation for late payment from CLG	0	3
	29,129	46,502

9. Members' Allowances

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

	2007/08	2008/09
	£'000	£'000
Basic allowance	646	658
Special responsibility allowance	447	487
Travel Allowance*	0	1
Telephone Allowance	16	16
	1,109	1,162

* - The actual amount of travel allowance paid to members in the year was £372.42 (£763.96 in 2007/08).

10. Remuneration Details

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

Remuneration band	Number of employees	
	2007/08	2008/09
£50,000-£59,999	185	201
£60,000-£69,999	59	72
£70,000-£79,999	46	42
£80,000-£89,999	15	22
£90,000-£99,999	18	22
£100,000-£109,999	1	4
£110,000-£119,999	2	1
£120,000-£129,999	2	2
£130,000-£139,999	0	2
£140,000-£149,999	1	0
£150,000-£159,999	4	4
£160,000-£169,999	0	0

Remuneration band	Number of employees	
	2007/08	2008/09
£170,000-£179,999	1	0
£180,000-£189,999	0	0
£190,000-£199,999	0	0
£200,000-£209,999	0	1
£210,000-£219,999	1	1

11. Related Party Transactions

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

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (eg housing benefits). Details of transactions with government departments are set out in a note relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2008/09 grants to the value of £12,249,000 were paid to organisations in which 24 members had an interest. Details of all these relationships are recorded in the Register of Members' interests or the List of Council's Representatives on Other Bodies and Outside Organisations which is open to public inspection at Lambeth Town Hall.

Officers – During 2008/09 the Executive Director of Finance and Resources declared his relationship with London Authorities' Mutual Ltd as unremunerated Director, Vice Chairman and Council's nominee. Transactions with this company amounted to £1,540,420 (£100,000 in 2007/08).

In addition the council paid £12,738,000 to Western Riverside Waste Authority in respect of waste disposal charges. The Waste Authority is under common control of central government.

The Council paid £20,175,000 to Lambeth Living Limited in respect of management fees. Lambeth living Limited is a subsidiary of the Council. The amount due from Lambeth Living Limited is shown in note 15 to the balance sheet.

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 responsibility for the Pension Fund have undertaken transactions with the Pensions Fund. The Council charged the fund £936,000 for expenses incurred in administering the fund. The breakdown of these charges is as follows:

	2008/09 £'000
Pensions Administration	557
Pension Fund Administration	226
Central Overhead Recharges (BVACOP)	153
Total charge to the Pension Fund	936

12. Audit Fees

For the financial year 2008/09, Deloitte LLP was appointed as the Council's external auditors.

The Audit Commission (the outgoing auditors) performed work relating to 2007/08 Grants and the 2008/09 Inspection which amounted to £0.323m (£0.153m Inspection Fees and £0.170m for Grant Certification work). Additionally a fee of £0.02m was charged in respect of a member of Deloitte staff who was seconded to the Audit Commission to assist with the completion of the 2007/08 accounts.

The amount payable to Deloitte LLP in respect of the statutory audit was £0.535m (£0.698m to the Audit Commission in 2007/08). The forecast fees for the 2008/09 audit of Grants are £0.150m (£0.170m to the Audit Commission for 2007/08) and £0.038m for the Local Government Pension Scheme. Deloitte LLP performed non-audit work relating to the Myatts Fields PFI in 2008-09 amounting to £0.244m.

13. Parking Places Revenue Account 2008/09

	2007/08 £'000	2008/09 £'000
Income	(36,774)	(19,603)
Expenditure	24,641	11,172
Surplus for the year	(12,133)	(8,431)
Use of Surplus		
Concessionary Fares	2,500	2,500
Road Safety	222	307
Other Highways Expenditure	4,233	3,863
Transport & Highways Maintenance	3,255	3,848
Structural Maintenance inc. Footways & Carriageways	1,567	1,616
Transport Planning	309	395
Aids to Movement, Furniture & Fittings	48	114
Lighting excl. PFI and energy costs	1	0
Repairs & Maintenance	(2)	0
(Surplus)/Deficit for year	0	4,212

14. Transfer of Adjustment A to General Fund

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 £23.25m to its general fund balances. As this legislation came into force late in 2007/08, the Council decided to delay this transfer (as is allowed by the Regulations 2008) until the 2008/09 financial year.

15. Exceptional Items

The impairment of assets depends primarily on financial conditions prevailing at the time of review. The financial impact of these accounting adjustments can vary significantly from year to year and, for the purposes of ensuring the comparison of the total cost of services between years is meaningful, the relevant costs have been recorded as exceptional items. An analysis of the charge by category is given below:

	2007/08 £'000	2008/09 £'000
Cultural, environmental and planning services	284	10,400
Education and children's services	74,397	8,562
Highways and transport services	6,605	1,217
Local authority housing (HRA)	31,399	60,258
Other housing services (non-HRA)	564	2,302
Corporate and democratic core	4,861	7,637
Non-distributed Costs	79,435	0
NET COST OF SERVICES	197,545	90,376

16. Restatement of Prior-Year Amounts

The analysis of net cost services has been restated:

- (a) to show impairment charges as exceptional items (in note 15) and
- (b) to amend categories within net cost of services to comply with the requirements of BVACOP for 2008/09.

Notes to the Balance Sheet

1. Summary of capital expenditure and fixed asset disposals

Movements in fixed assets during the year were as follows:

Operational Assets

	Operational					Non-Operational			Total
	Council dwellings	Other land & buildings	Vehicles, plant & equipment	Infra-structure	Community assets	Investment Properties	Surplus Assets	Assets Under Construction	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Opening Gross Book Value - 1 April 08	1,799,473	466,565	13,888	92,696	17,558	0	15,875	42,892	2,448,947
<i>Movement in 2008-09</i>									
Reclassifications	(9,371)	32	2,907	0	0	0	14,088	(7,656)	0
Additions	47,529	20,369	1,101	7,794	5,002	0	0	38,438	120,233
PFI	0	687	88	0	0	0	0	0	775
Revaluations	6,791	32,543	0	0	1,380	0	20,836	0	61,550
Impairments	(190,822)	(49,668)	0	0	(767)	0	(4,614)	0	(245,871)
Disposals	0	0	0	0	0	0	(4,208)	0	(4,208)
Other	0	(9,264)	0	0	0	0	0	0	(9,264)
Closing Gross Book Value - 31 Mar 09	1,653,600	461,264	17,984	100,490	23,173	0	41,977	73,674	2,372,162
Opening Depreciation - 1 April 08	(21,295)	(17,222)	(9,609)	(12,633)	(735)	0	0	0	(61,494)
<i>Movement in 2008-09</i>									
Reclassifications	114	348	0	0	0	0	(462)	0	0
Depreciation	(18,858)	(8,575)	(2,683)	(2,318)	(285)	0	0	0	(32,719)
Amortisation	0	0	0	0	0	0	0	0	0
Revaluations	7	2,009	0	0	0	0	244	0	2,260
Impairments	21,509	7,807	0	0	0	0	27	0	29,343
Disposal	0	0	0	0	0	0	38	0	38
Other	0	187	0	0	0	0	0	0	187
Closing Depreciation - 31 Mar 09	(18,523)	(15,446)	(12,292)	(14,951)	(1,020)	0	(153)	0	(62,385)
NBV at 31 March 2008	1,778,178	449,343	4,279	80,063	16,823	0	15,875	42,892	2,387,453
NBV at 31 March 2009	1,635,077	445,818	5,692	85,539	22,153	0	41,824	73,674	2,309,777
Nature of asset holding									
Owned	1,635,077	443,355	2,697	85,539	22,153	0	41,824	73,674	2,304,319
Finance Lease	0	0	0	0	0	0	0	0	0
PFI	0	2,463	2,995	0	0	0	0	0	5,458
NBV at 31 March 2009	1,635,077	445,818	5,692	85,539	22,153	0	41,824	73,674	2,309,777

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 a 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 31 December 2008 by Lambert Smith Hampton Chartered Surveyors.

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.

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, are carried out by Lambert Smith Hampton who are surveyors external to the Council. The basis for valuation is set out in the statement of accounting policies.

	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant & equipment £'000	Investment properties £'000	Total £'000
Valued at historical cost	0	0	5,692	0	5,692
Valued at current value in					
2008/09	1,635,077	445,818	0	0	2,080,895
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

3. Information on tangible fixed assets held

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

	2008	2009
OPERATIONAL ASSETS		
Council dwellings	26,536	26,513
Other Land & Buildings		
Hostels	31	33
Garages	6,187	5,299
Car park spaces	2,872	2,256
Store Sheds	666	666
Adult education institutes	1	1
Car parks	7	10
Cemeteries and Crematoria	5	6
Clocks	0	0
Community centres	50	65
Conveniences	0	0
Day centres / lunch clubs	27	24
Depots & workshops	8	9
Kitchens	1	1
Libraries	10	8
Neighbourhood management offices	12	14
Nurseries	32	37
Offices	22	28
Pools	0	0
Public Halls	5	4
Refuse disposal units	0	0
Residential homes	0	0
Schools	61	58
Sports centres	7	7
Sports pitches	2	2
Support centres	0	0
Surgeries	6	9
Teaching centres	1	2
Town hall	1	1
Youth centres	6	12
Vehicles & Equipment		
Recycling equipment	2	3
Street Lighting	2	2
CCTV	8	9
Other equipment	48	55
Infrastructure		
Roads	323.8 miles	323.8 miles
Bridges	10	10
Community assets		
Parks & open spaces	246 acres	246 acres
Artwork	0	1
NON-OPERATIONAL ASSETS		
Public Conveniences	14	19
Commercial property		
Miscellaneous	62	75
Offices	0	0
Public Houses	2	2
Shops	323	358
Industrial		
Surplus assets	5	122

4. Intangible Assets

Balances of Intangible Assets are as follows:

	Software £'000	Total £'000
Opening Gross book value – 1 April 2008	26,953	26,953
Accumulated amortisation and impairment	(15,776)	(15,776)
Opening Net book value at 31 Mar 2008	11,177	11,177
<i>Movement in 2008/09</i>		
Restatement	0	0
Reclassifications	0	0
Additions	3,516	3,516
Amortisation	(7,785)	(7,785)
Transfers	0	0
Net Book Value at 31 March 2009	6,908	6,908

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

The opening gross book value and accumulated amortisation have been restated from the amount shown in the prior year accounts to remove an item which did not meet the definition of an asset. The amount was £3,956,000.

5. Financing of capital expenditure

	2007/08 £'000	2008/09 £'000
Capital investment		
Intangible Assets	4,525	3,516
Tangible Assets	113,888	120,233
REFFCUS (Deferred Charges)	29,102	15,695
Expenditure below de minimis	(47)	0
	147,468	139,444
Sources of finance		
Government grants	(55,658)	(59,346)
Capital receipts	(67,124)	(23,990)
Section 20 contribution	(1,408)	0
Developers' contribution	(301)	(475)
Direct revenue financing (including MRR)	(6,459)	(47,817)
Supported borrowing	(16,518)	(7,816)
	(147,468)	(139,444)
Opening Capital Financing Requirement	666,764	668,054
Capital Investment	147,468	139,444
Sources of Finance (<i>excludes supported borrowing</i>)	(130,950)	(131,628)
Minimum Revenue Provision (MRP)	(8,771)	(8,818)
Transfer of Adjustment A to GF*	0	23,250
Balance of ILEA debt	0	0
Overhanging debt repayment	(10,418)	0
Commutation adjustment	3,961	3,498
Closing Capital Financing Requirement	668,054	693,800

*See note 14 to the I&E

6. Revaluation Reserve

The revaluation reserve 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	2008/09
	£'000	£'000
Balance brought forward 1 April	0	265,268
Revaluation gains	448,930	63,807
Impairments charged to the revaluation reserve	(135,682)	(135,230)
Write out asset on disposal	(38,655)	(2,309)
Historic cost depreciation adjustment	(9,325)	(4,940)
Balance carried forward at 31 March	265,268	186,596

7. Capital Adjustment Account – This account records the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets, the historical cost of deferred charges over the period that the authority benefits from the expenditure and the resources set aside by the authority to finance capital expenditure.

	2007/08	2008/09
	£'000	£'000
Capital Adjustment Account opening balance	1,595,512	1,432,995
Capital Financing:		
Capital Receipts Applied	67,124	23,990
Minimum Revenue Provision	8,771	8,818
Section 20 Contribution applied	1,408	0
Expenditure charged to Major Repairs Reserve	5,709	47,617
REFFCUS charges written off (net of Government Grants) General Fund	(12,097)	(5,251)
REFFCUS charges written off (net of Government Grants) HRA	0	(731)
Amortisation of Government Grants Deferred - General Fund	10,374	532
Amortisation of Government Grants Deferred - HRA	457	0
Commutation adjustment	(3,961)	(3,497)
Direct Revenue Financing	750	200
Payment of overhanging debt	10,418	0
PFI Prepayment	(109)	(109)
PFI Residual value	879	885
Asset Impairment - General Fund	(166,146)	(30,118)
Asset Impairment - Housing Revenue Account	(31,399)	(60,258)
Asset Depreciation - General Fund	(20,554)	(20,425)
Asset Depreciation - Housing Revenue Account	(24,335)	(20,078)
Fixed Assets written out	(57,786)	(4,170)
Revaluation Reserve depreciation write down	9,325	4,940
Revaluation Reserve disposals	38,655	2,309
Transfer of Adjustment A to General Fund	0	(23,250)
Mortgage Principal	0	150
Balance carried forward 31 March	1,432,995	1,354,549

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.

	2007/08	2008/09
	£'000	£'000
Balance brought forward 1 April	77,498	52,247
Capital Receipts	57,596	8,904
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	(15,723)	(3,772)
Financing of capital expenditure	(67,124)	(23,990)
Balance carried forward 31 March	52,247	33,389

9. Commitments under Capital Contracts at 31 March 2009 are:

	£'000
Housing, Regeneration and Environment	32,671
Adults' and Community Services	0
Children and Young People's Services	40,565
Finance and Resources and Office of the Chief Executive	505
Total	73,741

10. Financial Instruments Adjustment Account (FIAA)

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.

	2007/08 £'000	2008/09 £'000
Balance on FIAA brought forward	0	4,475
Transfer of premiums and discounts balance at 31 Mar 2007	953	0
Transfer of premiums and discounts from the Capital Adjustment Account	6,313	0
Amortise premiums-GF	(11)	(11)
Amortise premiums-HRA	(2,780)	(1,773)
Balance on FIAA carried forward	4,475	2,691

11. Leases

a) Disclosure by Lessees

The authority was committed at 31 March 2009 to making payments of £2.78m under operating leases, comprising the following:

	Vehicles, Plant & Equipment		Land & Buildings	
	2007/08 £'000	2008/09 £'000	2007/08 £'000	2008/09 £'000
Leases expiring:				
Within one year	106	22	113	288
Within two to five years	172	359	215	149
After five years	0	0	1,956	1,958

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 £0.30m (2007/08 = £0.45m).

Land and Buildings. The Council has various assets, principally its main offices, held as operating leases. The rentals payable in 2008/09 were £2.40m (£2.33m in 2007/08).

b) Disclosure by Lessors

The Council acts as lessor on a large portfolio of commercial and investment properties, for which the rentals for 2008/09 amounted to £4.1m (£4.3m in 2007/08). The gross value of these assets on the balance sheet is £44.7m with accumulated depreciation of £1.3m.

12. ALMO – Arm's Length Management Organisations

United Residents Housing (URH): The Council is the sole member of United Residents Housing Limited (URH), an Arms Length Management Organisation, which was incorporated on 31 May 2007. URH is a controlled company of the Council, and is 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 2008/09 was £390k. 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.

Lambeth Living Ltd (LL): From 1 July 2008 the Council established an arm's length management organisation (ALMO) with responsibility for managing the remainder of its housing stock. The ALMO (Lambeth Living Ltd) is a company limited by guarantee, wholly owned by the Borough of Lambeth. The establishment of this ALMO has not involved any change in the ownership of the housing stock and the property managed by the ALMO remains within the Housing Revenue Account (HRA). Budgets for maintenance of housing stock and capital schemes are delegated to the ALMO acting as agent for the Council.

The management fee paid to Lambeth Living Ltd in 2008/09 was £20,175k. Transactions with the company are contained within the Housing Revenue Account. With the creation of the ALMO, many staff were transferred from the Council, and the Council undertook to guarantee the funding shortfall, if any, accrued in relation to pension benefits up to the day that the transfer occurred. The FRS 17 report produced by the actuary shows the value of this guarantee to be £3.1m as at 31 March 2009. This guarantee effectively renders the ALMO solvent, which would not be the case otherwise, since it has a net negative equity position of £2.8m at year end.

The Council is of the view that there is no requirement to incorporate Lambeth Living's accounts in group accounts because Lambeth Living acts as an agent of the Council, having no material fixed assets of its own, and earning no material income other than the management fee that the Council pays it. Thus, any group accounts would not be significantly different from those of the single entity accounts.

13. The Council's Financial Instruments consist of:

	Long-term		Current	
	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09
	£'000	£'000	£'000	£'000
Rents & Service charges	0	0	(6,983)	(7,365)
Other payables	0	0	(116,156)	(94,130)
Financial liabilities at amortised cost	(686,481)	(675,797)	0	0
Total Liabilities	(686,481)	(675,797)	(123,139)	(101,495)
Rents & Service charges	0	0	19,836	16,500
s20 works	0	0	6,772	5,201
Other receivables	0	0	41,420	37,390
Pension Fund	0	0	19,590	23,870
Long-term Debtors	917	704	0	0
Investments	5	15,005	282,800	201,477
Total Assets	922	15,709	370,418	284,438

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 investments amount to £201m at 31 March 2009 and £283m at 31 March 2008.

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

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders	Rent Debtors	Sundry Debtors	RTB Service Charges	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2008	5,750	16,970	4,459	0	27,179
Write-offs	0	(5,885)	(501)	0	(6,386)
Set up	2,322	7,167	774	1,065	11,328
Balance as at 31 March 2009	8,072	18,252	4,732	1,065	32,121

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 18. 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:

Fair value is assessed by calculating the present value of the cash flows that will take place over the remaining term of the financial instrument, using the following assumptions:

- Interest rate at 31 March 2009 of 0.5%
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31-Mar-08 Carrying amount £'000	Fair value £'000	31-Mar-09 Carrying amount £'000	Fair value £'000
Financial liabilities	686,481	858,421	675,797	849,733

The fair value is higher than the carrying amount because it represents the total cash the authority would have to raise to extinguish the debt, discounted to the balance sheet date using PWLB early repayment discounting rates. The carrying amount represents the principal, accrued interest, discounts and premiums.

14. Disclosures regarding Financial Instruments:

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 payments

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, counterparty 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. The Council protects the security of the cash it deposits with counter parties using a number of risk management techniques recognised within the industry. Principal among these is counterparty risk, which uses a combination of credit ratings, and limits on the term and maximum value of any loans.

The Council seeks to reduce counterparty risk by:

- adjusting the maximum amounts that may be invested with institutions (i.e. revising counterparty limits downwards), and
- reducing the term of investments for smaller institutions.

The revisions to the counterparty limits for individual institutions is made through case by case assessments, taking into account information available in the financial markets and the advice of the Council's treasury consultants. Deposits are made through a broker and there is no direct dealing. The authority has a policy of lending specified in detail within the Annual Treasury Management Strategy Report which is approved by the Council. The authority has not experienced any default on its deposits with banks and building societies over the last five financial years,

The table overleaf shows a summary of institutions with which the Council has deposits.

	Amount at 31 March 2009 £'000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2009 %	Estimated exposure to default and uncollectibility £'000
Deposits with banks and financial institutions:				
Banks	89,634	None	None	None
Building Societies	121,009	None	None	None
Risk from Customers	113,394	23.0	26.3	29,813

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.

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. There is a strategy 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:

	31 March 2008 £'000	31 March 2009 £'000
Less than one year	0	0
Between one and two years	0	8,882
Between two and five years	8,882	0
More than five years	677,599	666,915
	<hr/> 686,481	<hr/> 675,797

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 will not have significant impact on the authority:

- 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 will fall.

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 will 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, are reflected in the Income and Expenditure Account and affect the General Fund Balance. A weighted average of investments outstanding during the year was £201m and each percentage point movement in the interest rate resulted in a £2.01m fluctuation in interest.

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.

Market risk – Price risk

The Authority does not invest in equity shares and so is not exposed to losses arising from movements in the price of shares.

Market risk – Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

15. Debtors

	31-Mar-08		31-Mar-09	
	£'000	£'000	£'000	£'000
Government grants		17,429		13,722
Rents (HRA and non-HRA)	35,705		32,356	
Provision for bad debts	(16,969)		(18,252)	
		18,736		14,104
Right to buy service charges	1,100		3,461	
Provision for bad debts	0		(1,065)	
		1,100		2,396
Housing Benefit Overpayment	17,402		16,857	
Provision for bad debts	(15,373)		(14,791)	
		2,029		2,066
Non-Domestic Ratepayers	6,162		7,237	
Provision for bad debts	(2,662)		(2,504)	
		3,500		4,733
Community Chargepayers	2,139		9	
Provision for bad debts	(3)		(9)	
		2,136		0
Council Taxpayers	39,538		39,878	
Provision for bad debts	(23,872)		(35,191)	
		15,666		4,687
Council Tax Court Costs	11,829		12,340	
Provision for bad debts	(5,927)		(7,501)	
		5,902		4,839
Sundry debtors	36,738		26,221	
Provision for bad debts	(3,521)		(4,732)	
		33,217		21,489
Section 20 works	12,522		13,273	
Provision for bad debts	(5,750)		(8,072)	
		6,772		5,201
HMRC	7,934		6,567	
Provision for bad debts	(500)		0	
		7,434		6,567
Parking debtors	19,280		21,247	
Provision for bad debts	(13,025)		(15,433)	
		6,255		5,814
Non-Domestic Rating pool		3,382		0
Payments in advance		8,203		7,863
Amounts due from Lambeth Living		0		5,396
Other		0		2,642
Pension Fund		19,590		23,870
TOTAL		151,351		125,389

Reconciliation of provision for Bad Debt Account		2007/08	2008/09
		£'000	£'000
Balance brought forward as at 1 April		77,578	87,603
Write-offs		(21,815)	(18,576)
Set up		31,840	38,523
Balance as at 31 March		87,603	107,550

Aged Analysis of Financial Assets (excl Investments)	Rents £'000	S20 Lease- holders £'000	Sundry Debt £'000	RTB Service Charges £'000	Pension Fund £'000	Total £'000
0 to 6 months	8,778	732	20,417	777	23,870	54,574
6 to 12 months	6,445	731	1,108	794	0	9,078
Over 1 year	17,133	11,810	4,696	1,890	0	35,529
Total as at 31 March 2009	32,356	13,273	26,221	3,461	23,870	99,181

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 March 2008 £'000	31 March 2009 £'000
Individuals		
Right to buy	564	477
Other	24	24
Housing Associations	329	203
	<u>917</u>	<u>704</u>

17. Deferred Capital Receipts

These are amounts derived from capital income still to be received where disposals have taken place and deferred payments have been agreed. They consist of the principal outstanding from sale of council houses and the principal outstanding from advances to housing associations. The figures for 2007/08 and 2008/09 were £626,000 and £412,845 respectively.

18. Creditors:

	31 March 2008 £'000	31 March 2009 £'000
Government grants	(30,676)	(20,123)
Rents	(6,983)	(6,093)
Right to buy service charges	0	(1,272)
NNDR payers	(4,830)	(4,468)
Community charge-payers	(2,129)	0
Council Taxpayers	(10,401)	(11,397)
Sundry creditors	(111,301)	(86,417)
Pooled capital receipts due to CLG	(2,763)	(146)
PAYE/NI	(5,073)	(5,606)
NNDR Pool	0	(134)
Receipts in advance	(4,627)	(4,788)
Other	(228)	(2,925)
	<u>(179,011)</u>	<u>(143,369)</u>
Trust Funds	(527)	(497)
	<u>(179,538)</u>	<u>(143,866)</u>

19. Reserves

	Balance at 31 March 2008 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2009 £'000
Revenue Reserves				
BSF	1,471	0	0	1,471
Earmarked c/fwds	5,349	7,200	(5,349)	7,200
General contingency	2,844	0	(2,844)	0
EDFR/CE contingencies	2,000	0	(2,000)	0
Capital Funding Gap	2,000	450	(200)	2,250
Future Lambeth	242	0	0	242
Dilapidations	3,500	0	0	3,500
Litigation fund	500	50	0	550
Henry Fawcett Primary School	0	500	0	500
Legislation pressures - Front line services	0	2,500	0	2,500
Oracle & Financial Systems	1,500	825	0	2,325
Pension Fund	4,000	1,000	0	5,000
PFI Smoothing Reserve	2,820	0	(93)	2,727
Reorganisation	2,600	0	(2,600)	0
R & M sinking Fund	0	2,000	0	2,000
CCTV Renewals	779	2	0	781
Single Status Reserve	1,531	0	(1,000)	531
Civil Emergencies Fund	0	1,000	0	1,000
Carbon Trading Scheme	0	2,000	0	2,000
Renewal programme - Roads & Pavements	0	2,200	0	2,200
Invest to Save Fund	0	8,450	0	8,450
Two-year limited revenue	0	1,810	0	1,810
One off capital investment fund	0	1,800	0	1,800
Concessionary fares - future increases	0	1,949	0	1,949
Interest receivable smoothing Reserve	0	1,500	0	1,500
2011 Census	0	1,000	0	1,000
GCSX Hardware	0	550	0	550
Community Children's Services - Rent etc new accommodation	0	320	0	320
Ward Purse Fund	0	200	0	200
Earmarked Grants Reserve	0	10,553	0	10,553
Losses on grant claims	0	2,025	0	2,025
Other	287	105	0	392
Total revenue reserves	31,423	49,989	(14,086)	67,326

- The **Building Schools for the Future** (BSF) balance is earmarked for revenue costs associated with the BSF project.
- **Earmarked Carry-Forwards** are to finance expenditure that had been committed but not yet incurred as at balance sheet date.
- The **General Contingency** reserve and Chief Officers' contingencies have been redirected to other priorities.
- The **Capital Funding Gap** reserve is set aside to meet potential risks in the Capital Programme.
- The **Future Lambeth** reserve 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.
- A reserve has been set-aside to deal with academic issues arising at **Henry Fawcett Primary School**.
- The **Legislation Pressures** reserve has been set up to meet potential cost pressures in light of legislation and public enquiry outcomes such as the Laming Report
- The **Oracle financial systems** reserve is for the cost of implementing the next major release of the Council's ERP solution and associated cost.
- 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.
- The **Reorganisation reserve** is no longer required.

- The **Repairs & Maintenance** sinking fund reserve has been created to meet administrative building costs not covered in the base budget.
- The **CCTV Renewals** reserve exists to provide for the renewal and replacement of the Council's CCTV equipment.
- **Single Status** - Following an assessment of the potential risk the Council has set aside a reserve against the potential costs of the pay and grading review.
- The **Civil Emergencies Fund** has been created to meet any extraordinary costs that occur due to an unforeseen event or an emergency.
- **Carbon Trading Scheme** - this reserve has been created to meet start up costs associated with the scheme.
- **Renewal Programme – Roads & Pavements** – resources set aside for a programme to run in 2009/10
- **Invest to Save Fund** – resources set aside for initiatives which will deliver ongoing revenue savings.
- **Two-year limited revenue** – revenue resources set aside to meet time limited initiatives.
- **One-off capital Investment Fund** - resources set aside for a programme to run in 2009/10.
- **Concessionary Fares – Future increases** - this reserve has been created to meet the costs of future price increases.
- **Interest Receivable Smoothing Reserve** - the reduction in the level of interest receivable during 2008/09 has resulted in budget pressures going forward. This reserve has been set up to mitigate the impact on the General Fund for 2009/10.
- **2011 Census** - Resources have been earmarked for the cost of the Census.
- The **Government Connects** Reserve has been created to meet the cost of hardware and local changes to provide an extranet connection between Government Departments and local authorities.
- **Community Children's Services** – Rent and associated costs for accommodation move - To cover three years' rent rates etc. until 2012 for the essential relocation of the service.
- **Ward Purse Fund** – this reserve has been created to provide funds for local projects.
- **Earmarked Grants** – this reserve has been created to provide funds for specific grant-funded projects
- **Losses on Grant Claims** – this reserve is to cover disallowed grant claims
- **Other** reserves under £500,000 are established for various minor miscellaneous purposes.

20. 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 2008 £'000	Receipts & Revaluation in year £'000	Payments in year £'000	Balance at 31 March 2009 £'000
Pedlars Acre	1,986	0	(1,309)	677
Cynthia Mosley	741	32	0	773
Miscellaneous				
Adults' and Community Services	133	0	(3)	130
Housing, Regeneration and Environment	49	0	0	49
Children and Young People's Services	234	1	(2)	233
	3,143	33	(1,314)	1,862

The Pedlars Acre fund was established by the Pedlars Acre Estate Act 1826 for the benefit of the parish of St Mary, Lambeth. Trusteeship of the fund transferred to the Capital Community Foundation on 15 December 2008.

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 Housing, Regeneration and Environment funds represent estates of the deceased.

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

21. Earmarked LMS Balances are as follows:

	31 March 2008	31 March 2009
	£'000	£'000
Underspent school balances	16,924	16,659
Overspent school balances	(436)	(415)
	16,488	16,244

22. 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 has two components – one for a restricted range of services provided on an authority-wide basis and the other for the Individual Schools Budget, which is divided into a budget share for each school. The Council is required to account separately for overspends and underspends on the two components. Details of the deployment of DSG receivable for 2008/09 are as follows:

	Central Expenditure	Individual Schools' Budget	Total
	£'000	£'000	£'000
Underspend brought forward from 2007/08	(4,456)	0	(4,456)
Adjustment to opening balance	(500)	0	(500)
Restated opening balance	(4,956)	0	(4,956)
Original grant allocation to Schools Budget for current year in the authority's budget	(22,097)	(146,956)	(169,053)
Adjustment to finalised grant allocation	0	0	0
DSG available for the year	(27,053)	(146,956)	(174,009)
Actual expenditure for the year	25,899	146,956	172,855
Underspend for the year	(1,154)	0	(1,154)
Planned top-up funding of ISB from Council Resources	0	0	0
Use of school balances brought forward	0	0	0
Underspend carried forward to 2009/10	(1,154)	0	(1,154)

23. Contingent Assets

These are assets in which the possibility of an economic benefit to the Council depends solely upon future events that cannot be controlled by the Council. They are often rights to a future potential claim, based on past events. Due to the uncertainty of the future events, these potential assets are not placed on the balance sheet but are disclosed as notes to the accounts.

During 2008/09, the Council submitted VAT refund claims to HM Revenue & Customs (HMRC) based on the House of Lords decision in the joint cases of *Michael Fleming v HMRC and Conde Nast Publications Ltd v HMRC*. These claims are commonly referred to as "Fleming claims" and relate to the erroneous introduction by HMRC of the 3-year capping rule in 1996 and 1997. The decision has provided an opportunity for VAT registered bodies to make claims for a refund of VAT that was either "overpaid to" or "under recovered from" HMRC. The Council submitted claims totalling approximately £2m during the year. There is no certainty that the total sum will be recovered as negotiations with HMRC were still in progress at year end.

24. Contingent Liabilities

- Some Tenant Management Organisations (TMOs) have not accepted the level of their management allowances for 2008/09 and are actively pursuing a revision of the calculation with the Council. The amount under discussion is estimated to total a maximum of £1m, including sums from previous years. The Council does not consider that there is a strong case to revise the allowances.
- The care home sector has attracted a lot of financial investment especially from private equity firms in recent years. The appeal surrounded the ageing population, strong cash flows and the property holding. Since January 2005, there have been 370 deals in the UK healthcare sector, worth a total value of £33.3bn, according to figures from Thomson Financial. Alongside that growth, leverage multiples, measuring debt to earnings before interest, taxes, depreciation and amortisation, grew rapidly with a buoyant financial outlook. However, this positive view has changed to gloom and uncertainty. Some of the factors influencing this area are:

- Government policy with an emphasis on moving away from residential care
- Renewed tightening/capping of local authorities annual inflation increase
- Drop in property prices impacting private clients funding levels
- Inflationary pressures on pay and fuel
- Re-valued assets as the basis of borrowings, conditions of repayment and type of loan
- The reluctance of banks to continue to lend
- Many Central Europeans in particular, returning home to work as the Euro has strengthened against sterling

LBL have a duty to provide adult social care to the community at Lambeth. This duty has been outsourced/contracted out to care home providers. In light of this Adults' and Community Services have risk assessed several care home providers the result of which has raised concern regarding their ability to fulfil the contracts entered into with LBL. The current adverse economic climate has further increased fears about these providers' abilities to continue as going concerns.

Should several high-risk providers no longer be able to fulfil their contractual obligations due to the current adverse economic climate this would force the Council to find alternative care/accommodation at short notice.

25. Provisions:

	Balance at 31 March 2008	Receipts in year	Payments/Releases in year	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
Insurance fund	10,589	0	(335)	10,254
Insurance fund - HRA	4,117	0	(452)	3,665
HB losses	6,889	0	(6,889)	0
S117	3,104	0	(621)	2,483
Losses grant claims	2,025	0	(2,025)	0
Continuing Care	1,000	0	0	1,000
Dilapidations	200	0	0	200
People with no recourse to public funds	2,300	0	(2,300)	0
De Menezes Inquest	1,500	0	(1,500)	0
Planning Appeals	1,000	0	0	1,000
Contract disputes	200	950	(25)	1,125
Tenant Management Organisations	0	998	0	998
TOTAL	32,924	1,948	(14,147)	20,725

Economic benefit is expected to transfer during the 2008/09 financial year although the exact timing of the transfer cannot be anticipated.

The purpose of each provision is set out below:

The Insurance Fund 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 £13.9m.

S117 of the Mental Health Act – In July 2002, the House of Lords upheld the judgement of the Court of Appeal and the High Court that local authorities had no power to charge for residential accommodation under Section 117 of the Mental Health Act 1983. The Council made charges for such accommodation in previous years and thus backdated repayment of charges received may be required. No claims have emerged in 2008/09, 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).

Dilapidations — for likely charges in respect of the termination clauses on a specific property leased by the Council.

Planning Appeals – likely legal costs where planning decisions are reversed on appeal for a specific case. The maximum liability has been assessed at around £1m, and this fund is established for this purpose. In doing so no admission of liability is admitted.

Contract Disputes – An assessment of the potential liability has been made in each of the 4 cases under review. It is expected these will be resolved in 2009/10.

Tenant Management Organisations - Provision to cover outstanding payments to TMO's. These payments have not been made as they are disputed by each TMO. It is expected that these discussions will be finalised during 2009/10 and payments will be backdated to 1 April 2008.

26. 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.

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 March 2008		31 March 2009	
	£'000		£'000	
	LPFA	Lambeth	LPFA	Lambeth
Deficit at Beginning of Year	(16,598)	(350,700)	(7,922)	(280,490)
Net Movement on Prior-Year Figures due to Changes in Valuation Basis	0	0	(216)	(3,477)
Actuarial Gains/ (Losses)	9,373	60,713	(2,471)	(114,028)
Other Movements	(697)	9,497	(916)	(2,332)
Deficit at End of Year	(7,922)	(280,490)	(11,525)	(400,327)
		(7,922)		(11,525)
Total Pension Reserve		(288,412)		(411,852)

Teachers Pension Scheme

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 2008/09 the Council paid £9.80m to the TPA (£9.15m in 2007/08), representing 14.1% of pensionable pay (14.1% in 2007/08). 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.

Lambeth Pension Fund

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. This is the main pension fund for the authority and by far the largest.

The tables and narrative below relate to a report by actuaries Hymans Robertson LLP as at 31 March 2009.

FRS17 requires asset values as at 31 March 2009 to be shown at bid value. In previous accounting periods, the value of assets may have been reported at mid-market value, resulting in an actuarial loss in the revenue accounts. The actuaries were not supplied with details of bid value and have thus estimated asset bid values by applying an adjustment of -0.50% to the mid-market asset share as at 31 March 2009.

The result of these changes is that certain figures in these tables have been restated since last year. Notably, the net liabilities of the scheme were previously stated at £280.49m; they are restated below at £283.97m.

The defined benefit obligation (present value of the scheme liabilities) is reconciled as follows:

Year ended:	31-Mar-08	31-Mar-09
	£'000	£'000
Opening defined benefit obligation	(1,067,000)	(975,829)
Current service cost	(20,556)	(15,749)
Interest cost	(57,267)	(66,957)
Contributions by members	(6,939)	(8,373)
Actuarial losses	135,375	86,436
Past service gains	(58)	(5,091)
Gains on curtailments	(1,346)	(939)
Liabilities extinguished on settlements	0	22,680
Liabilities assumed in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	6,878	7,044
Estimated benefits paid	35,084	34,597
Closing defined benefit obligation	(975,829)	(922,181)

The movement in the fair value of employer assets is reconciled as follows:

Year ended:	31-Mar-08 £'000	31-Mar-09 £'000
Opening fair value of employer assets	712,719	691,862
Expected return on assets	51,010	50,183
Contributions by members	6,939	8,373
Contributions by the employer	30,835	29,598
Contributions in respect of unfunded benefits	6,878	7,044
Actuarial losses	(74,557)	(200,464)
Assets distributed on settlements	0	(23,101)
Assets acquired in a business combination	0	0
Exchange differences	0	0
Unfunded benefits paid	(6,878)	(7,044)
Benefits paid	(35,084)	(34,597)
Closing fair value of employer assets	691,862	521,854

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:

	2007/08		2008/09	
	£'000	% of payroll	£'000	% of payroll
Interest on Pension Scheme Liabilities	57,267	49.3%	66,957	53.8%
Expected return on employer assets	(51,011)	(43.9%)	(50,184)	(40.3%)
Total net cost of services	6,256	5.40%	16,773	13.50%
Actual return on plan assets	(29,124)		(156,009)	

The actuarial gains and losses identified as movements in the Lambeth Pension Fund component of the Pensions Reserve – and therefore recognised in the STRGL – for the last seven years can be analysed as follows.

	31-Mar-03 £'000	31-Mar-04 £'000	31-Mar-05 £'000	31-Mar-06 £'000	30-Mar-07 £'000	31-Mar-08 £'000	31-Mar-09 £'000
Actuarial (losses)/gains	(187,200)	44,000	(67,000)	(21,800)	58,400	60,818	(114,028)
Increase/(Decrease) in irrecoverable surplus from membership	0	0	0	0	0	0	0
Actuarial (loss)/gain recognised in STRGL	(187,200)	44,000	(67,000)	(21,800)	58,400	60,818	(114,028)
Cumulative actuarial (losses)	(187,200)	(143,200)	(210,200)	(232,000)	(173,600)	(112,782)	(226,810)

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

	Long-term return, 31 Mar 2008			Long-term return, 31 Mar 2009		
	% p.a.	Fair value as at 31/3/08 £'000	% of total	% p.a.	Fair value as at 31/3/09 £'000	% of total
Equities	7.70%	524,793	75.8%	7.00%	405,481	77.7%
Bonds	5.70%	112,684	16.3%	5.60%	90,281	17.3%
Property	5.70%	51,221	7.4%	4.90%	34,964	6.7%
Cash	4.80%	3,164	0.5%	4.00%	(8,872)	(1.7%)
	7.20%	691,862	100.0%	6.70%	521,854	100.0%

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 2009:

Financial assumptions

	31-Mar-08	31-Mar-09
Price increases	3.6%	3.1%
Salary increases	5.1%	4.6%
Pension increases	3.6%	3.1%
Discount rate	6.9%	6.9%
Proportion of employees opting to take a commuted lump sum	25%	25%

Breakdown of the expected return on assets by category

	31-Mar-08 % p.a.	31-Mar-09 % p.a.
Equities	7.7%	7.0%
Bonds	5.7%	5.6%
Properties	5.7%	4.9%
Cash	4.8%	4.0%

Life expectancy (based on PFA92 and PMA92 tables) – average future life expectancies at age 65

	Males	Females
Current pensioners	19.6 years	22.5 years
Future pensioners	20.7 years	23.6 years

The amounts for the current and previous accounting periods for assets and liabilities are as follows:

Year ended:	31-Mar-05		31-Mar-06		31-Mar-07		31-Mar-08		31-Mar-09	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of employer assets	526,853		662,770		712,719		691,862		521,854	
Present value of defined benefit obligation	(915,200)		(1,075,100)		(1,067,000)		(975,829)		(922,181)	
Deficit	(388,347)		(412,330)		(354,281)		(283,967)		(400,327)	
Experience gains/(losses) on assets	21,293	4.0%	98,306	14.8%	2,090	0.3%	(74,557)	(10.8%)	(200,464)	(38.4%)
Experience gains/(losses) on liabilities	61,500	(6.7%)	(2,300)	0.2%	5,700	(0.5%)	(20,407)	2.1%	4,706	(0.5%)

In the year ending 31 March 2010 the estimated contributions to be paid into the scheme by the employer are approximately £30,151,700 (£30.15m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £922.18m 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.

London Pensions Fund Authority

Non-teaching staff employed in schools, along with some other Council staff, belong to a Local Government Pension Scheme run by the London Pensions Fund Authority (LPFA). The tables and narrative below relate to a report by actuaries Hymans Robertson LLP as at 31 March 2009.

FRS17 requires asset values as at 31 March 2009 to be shown at bid value. In previous accounting periods, the value of assets may have been reported at mid-market value, resulting in an actuarial loss in the revenue accounts. The actuaries were not supplied with details of bid value and have thus estimated asset bid values by applying an adjustment of -0.47% to the mid-market asset share as at 31 March 2009.

The result of these changes is that certain figures in these tables have been restated since last year. Notably, the net liabilities of the scheme were previously stated at £7.92m; they are restated below at £8.14m.

The defined benefit obligation (present value of the scheme liabilities) is reconciled as follows:

Year ended:	31-Mar-08	31-Mar-09
	£'000	£'000
Opening defined benefit obligation	(59,069)	(53,959)
Current service cost	(438)	(385)
Interest cost	(3,125)	(3,656)
Contributions by members	(120)	(149)
Actuarial losses	5,790	3,918
Past service costs/(gains)	0	(194)
Losses/(Gains) on curtailments	0	0
Liabilities extinguished on settlements	0	0
Liabilities assumed in a business combination	0	0
Exchange differences	0	0
Estimated unfunded benefits paid	279	289
Estimated benefits paid	2,724	2,407
Closing defined benefit obligation	(53,959)	(51,729)

The movement in the fair value of employer assets is reconciled as follows:

Year ended:	31-Mar-08	31-Mar-09
	£'000	£'000
Opening fair value of employer assets	42,271	45,821
Expected return on assets	2,062	2,198
Contributions by members	120	149
Contributions by the employer	521	832
Contributions in respect of unfunded benefits	279	289
Actuarial gains/(losses)	3,571	(6,389)
Assets distributed on settlements	0	0
Assets acquired in a business combination	0	0
Exchange differences	0	0
Unfunded benefits paid	(279)	(289)
Benefits paid	(2,724)	(2,407)
Closing fair value of employer assets	45,821	40,204

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 LPFA:

	2007/08		2008/09	
	£'000	% of payroll	£'000	% of payroll
Service cost	437	21.9%	385	16.9%
Interest on Pension Scheme Liabilities	3,123	156.3%	3,656	160.1%
Expected return on employer assets	(2,063)	(103.3%)	(2,198)	(96.3%)
Past service costs	0	0.0%	194	8.5%
Losses/(Gains) on curtailment & settlements	0	0.0%	0	0.0%
Total net cost of services	1,497	74.9%	2,037	89.2%
Actual return on plan assets	2,607		(4,217)	

The actuarial gains and losses identified as movements in the LPFA component of the Pensions Reserve – and therefore recognised in the STRGL – for the last five years can be analysed as follows.

	31-Mar-05	31-Mar-06	30-Mar-07	31-Mar-08	31-Mar-09
	£'000	£'000	£'000	£'000	£'000
Actuarial gains/(losses)	0	0	2,351	9,361	(2,471)
Increase/(Decrease) in irrecoverable surplus from membership	0	0	0	0	0
Actuarial gain/(loss) recognised in STRGL	0	0	2,351	9,361	(2,471)
Cumulative actuarial gains and (losses)	0	0	2,351	11,712	9,241

Information is not available for periods prior to 2006/07.

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

	Long-term return, 31 Mar 2008	Fair value as at 31/3/08		Long-term return, 31 Mar 2009	Fair value as at 31/3/09	
	% p.a.	£'000	% of total	% p.a.	£'000	% of total
Cashflow matching	4.50%	39,196	86.0%	4.20%	36,586	91.0%
Equity	7.70%	5,703	12.0%	7.00%	3,216	8.0%
Cash	4.80%	922	2.0%	4.00%	402	1.0%
	4.90%	45,821	100.0%	4.40%	40,204	100.0%

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 2009:

Financial assumptions

	31-Mar-08	31-Mar-09
Inflation/Pension increase rate	3.6%	3.1%
Salary increases	5.1%	4.6%
Expected return on assets	4.9%	4.4%
Discount rate	6.9%	6.9%
Proportion of employees opting to take a commuted lump sum	20%	68%

Breakdown of the expected return on assets by category

	31-Mar-08 % p.a.	31-Mar-09 % p.a.
Cashflow matching	4.5%	4.2%
Equity	7.7%	7.0%
Cash	4.8%	4.0%

Life expectancy (based on PFA00 and PMA00 tables) – average future life expectancies at age 65

	Males	Females
Current pensioners (in year 2007)	21.0 years	23.4 years
Future pensioners (in year 2027)	22.0 years	24.2 years

The amounts for the current and previous accounting periods for assets and liabilities are as follows:

Year ended:	31-Mar-05		31-Mar-06		31-Mar-07		31-Mar-08		31-Mar-09	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of employer assets	0		42,170		42,271		45,821		40,204	
Present value of defined benefit obligation	0		(60,378)		(59,069)		(53,959)		(51,729)	
Deficit	0		(18,208)		(16,798)		(8,138)		(11,525)	
Experience gains/ (losses) on assets	0	0.0%	0	0.0%	1	0.0%	3,571	7.8%	(6,389)	(15.9%)
Experience gains/ (losses) on liabilities	0	0.0%	0	0.0%	3	0.0%	917	(1.7%)	(109)	0.2%

In the year ending 31 March 2010 the estimated contributions to be paid into the scheme by the employer are approximately £426,000 (£0.43m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability is £51.73m.

27. Post-Balance Sheet Events

The Council has formed its own insurance mutual with 9 other London Boroughs – London Authorities Mutual Limited (LAML). The sum of £345,000 has been lodged with LAML to meet Financial Services Authority (FSA) capitalisation requirements, and the Council has undertaken to provide a guarantee, or 'promise to pay' should an insurer go into liquidation. This guarantee has 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.

The Court of Appeal has ruled (9 June 2009) that the participation of local authorities in an insurance mutual was beyond their statutory powers and as a consequence LAML has ceased underwriting with immediate effect.

Arrangements for the run off of LAML will be worked up and also need to be agreed by the FSA. These arrangements will include the repayment of any deposits paid by members and any surplus that may be left over, subject of course to LAML achieving a solvent run off (it is currently expected that LAML will be a solvent run off).

It is unlikely that any repayments will be made until the exact arrangements for the transfer of existing liabilities (retrospective liability cover) have been put in place and the existing claims on the books of LAML have been finalised which is unlikely to be until at least the end of December at a minimum, possibly longer.

In the meantime London Borough of Brent may appeal to the House of Lords, and LAML is already lobbying ministers for a change in relation to section 2 'wellbeing powers'. However it is unlikely that either of these options will happen quickly enough to avoid the current course of action taken in relation to LAML.

28. Net Assets Employed

The split of net assets employed by the Council is shown in the table below: -

	£'000
General Fund	(677,691)
Housing Revenue Account	(591,770)
	<u>(1,269,461)</u>

The Statement of Accounts was authorised for issue on 30 June 2009 by Mike Suarez, Chief Financial Officer.

Events after the balance sheet date had been considered up to that time.

Notes to the Cash Flow Statement

1. Reconciliation of Net Deficit/(Surplus) to Cash Inflow from Revenue Activities:-

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
General Fund surplus		(11,524)		(13,999)
Collection Fund deficit/(surplus)		14		(7,966)
Housing Revenue Account (surplus)/deficit		(1,328)		11,583
Net surplus for the year		(12,838)		(10,382)
NON-CASH TRANSACTIONS AND OTHER ADJUSTMENTS				
Minimum Revenue Provision	(8,771)		(8,818)	
Transfers from/(to) reserves	9,180		(35,903)	
Contribution (to)/from provisions	(12,970)		12,199	
Other items	809		7,350	
		(11,752)		(25,172)
MOVEMENTS IN WORKING CAPITAL				
Increase/(decrease) in debtors	12,716		(25,961)	
(Increase)/decrease in creditors	(16,713)		35,672	
(Decrease)/Increase in stocks	0		3	
		(3,997)		9,714
OTHER MOVEMENTS				
Capital expenditure financed from revenue	(1,520)		(200)	
Deduct interest received	13,760		15,216	
Add interest paid	(37,504)		(37,056)	
		(25,264)		(22,040)
NET CASH INFLOW FROM REVENUE ACTIVITIES		(53,851)		(47,880)

2. Analysis of Change in Debt

2008/09	31 March 2008 £'000	Cash flows £'000	31 March 2009 £'000
Cash and bank	40,987	(7,972)	33,015
Cash overdrawn	(39,342)	9,888	(29,454)
Short-term borrowing	0	0	0
Long-term borrowing	(686,481)	10,684	(675,797)
Short-term investments	282,800	(81,323)	201,477
Net Debt	(402,036)	(68,723)	(470,759)

2007/08	31 March 2007 £'000	Cash flows £'000	31 March 2008 £'000
Cash and bank	34,883	6,104	40,987
Cash overdrawn	(35,601)	(3,741)	(39,342)
Short-term borrowing	0	0	0
Long-term borrowing	(686,386)	(95)	(686,481)
Short-term investments	261,885	20,915	282,800
Net Debt	(425,219)	23,183	(402,036)

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
2008/09			
Balance at 1 April 2007	(686,481)	0	282,800
Repayments of amounts borrowed	10,684	0	0
New loans raised	0	0	0
Short-term investments made	0	0	732,481
Short-term investments realised	0	0	(813,804)
Balance at 31 March 2009	(675,797)	0	201,477
2007/08			
Balance at 1 April 2007	(686,386)	0	261,885
Repayments of amounts borrowed	0	0	0
New loans raised	(95)	0	0
Short-term investments made	0	0	830,570
Short-term investments realised	0	0	(809,655)
Balance at 31 March 2008	(686,481)	0	282,800

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.

Revenue Grant	Grant Awarding Body	2007/08 £'000	2008/09 £'000
Children's Fund	DCSF	1,027	0
Clapham Park NDC	Communities and Local Government (CLG)	0	2,338
Connected Learning Project PFI	Communities and Local Government	1,744	1,744
Connexions	DCSF	1,140	0
Dedicated Schools' Grant	DCSF	159,303	169,053
Access and System Capacity	Department of Health	3,003	0
CAMHS Mental Health Grant	Department of Health	1,519	0
Carer's Special Grant	Department of Health	1,632	0
Mental Health	Department of Health	1,365	0
Preserved Rights	Department of Health	2,985	0
Unaccompanied Children	UK Border Agency	2,809	3,333
Housing Act 1989	Communities and Local Government	26,725	13,566
Homelessness Strategy Grant	Communities and Local Government	1,538	2,703
Sixth Form	Learning and Skills Council (LSC)	4,762	5,273
Adult & Community Learning	Learning and Skills Council (LSC)	2,402	2,377
Lilian Baylis PFI Project	Communities and Local Government	1,931	1,931
National Training Strategy Development	Department of Health	1,012	0
Neighbourhood Renewal	Home Office	4,143	0
Schools Standard Grant	DCSF	4,493	4,667
Schools Standard Grant—personalisation	DCSF	2,060	2,025
Standards Fund	DCSF	19,612	22,585
Street Lighting PFI	Communities and Local Government	0	1,388
Supporting People	Department of Health	21,161	20,792
Sure Start	DCSF	11,543	0
LAA-CYPS	DCSF	4,308	0
ABG	Communities and Local Government	0	20,184
GSSG	DCSF	0	9,781
Leaving Care	UK Border Agency	0	1,264
Asylum Seekers Accommodation	UK Border Agency	0	3,266
Childcare	DCSF	0	1,053
TfL grants	Transport for London (TfL)	0	4,595
Other grants under £1m	DCSF	9,863	11,138
		292,080	305,056

Only grants in excess of £1m are disclosed separately

5. Analysis of Capital Government Grants

Capital Grant	Grant Awarding Body	2007/08 £'000	2008/09 £'000
Clapham Park NDC	Communities and Local Government (CLG)	7,171	5,003
EYCP – Children's Centres	Department for Children, Schools and Families (DCSF)	3,380	6,940
Standards Fund	Department for Children, Schools and Families (DCSF)	41,442	35,977
Transport For London Schemes	Transport for London	6,148	2,956
Ethelred	Government Office for London	6,900	0
Coldbusters	SW London Regional Partnership	1,025	0
Myatts Fields	Heritage Lottery Fund (HLF)	0	1,369
New Opportunities	Big Lottery Fund	0	1,242
AIDS Cap	Department of Health	0	1,265
Other grants under £1m	Communities and Local Government (CLG)	5,369	4,198
		71,435	58,950

Only grants in excess of £1m are disclosed separately

HRA INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) is a statutory statement, which summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The Local Government and Housing Act 1989 required the ring fencing of the Account with effect from 1 April 1990, thereby prohibiting cross subsidy between the HRA and the General Fund. The Government introduced a new prescribed format for the HRA with effect from 1 April 2001. As of the 2006 SORP, the statutory HRA is now being split into two statements: the HRA Income and Expenditure Account, which is UK GAAP compliant, and the Statement of the Movement on the HRA Balance.

	Note	2007/08 £'000	2008/09 £'000
Income			
Dwelling rents	12	(107,307)	(97,245)
Non-dwelling rents		(3,319)	(3,706)
Charges for services and facilities	12	(20,560)	(34,209)
Contributions Towards Expenditure		0	(441)
HRA subsidy receivable	8	(25,489)	(12,162)
Reduction in Provision for Bad or Doubtful Debts		0	0
		(156,675)	(147,763)
Expenditure			
Repairs and maintenance		24,128	27,543
Supervision and management		78,550	74,957
REFFCUS	10	0	731
Rents, rates, taxes and other charges		2,600	3,969
Depreciation of fixed assets	7	24,335	20,078
Impairment	7	0	0
Debt management expenses		115	81
Increase in bad debt provision		3,402	3,946
		133,130	131,305
Net cost of HRA services per Authority Income and Expenditure Account		(23,545)	(16,458)
HRA share of Corporate and Democratic Core		800	800
Exceptional Items – Impairment of property	13	31,399	60,258
Net cost of HRA services		8,654	44,600
Interest payable and similar charges		22,809	22,666
Amortised premiums and discounts		1,647	0
Loss/(Gain) on the disposal of fixed assets		193	(4,383)
Other Income (RTB discounts repaid and sales & leasehold extensions)		0	(370)
Overhanging debt grant		(1,647)	0
Interest and investment income		(1,809)	(713)
Pensions interest cost & return on assets		1,206	1,374
Deficit for the year on HRA services		31,053	63,174

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2007/08 £'000	2008/09 £'000
Deficit for the year on the HRA Income and Expenditure	31,053	63,174
Net additional amount required by statute to be credited to the HRA balance	(32,381)	(51,591)
(Increase) / decrease in the HRA Balance	(1,328)	11,583
HRA deficit brought forward	1,962	634
HRA deficit carried forward	634	12,217

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Analysis of the movement on the HRA balance:

	2007/08 £'000	2008/09 £'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	2,780	1,774
Net contribution to Insurance Fund	536	0
Insurance Fund Reserve reclassified as provision	(4,579)	0
Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with the Statutory HRA requirements.		
Government Grants Deferred	457	0
Impairment	(31,399)	(60,258)
Revenue expenditure financed by capital under statute	0	(731)
(Loss)/Gain on the disposal of fixed assets	(193)	4,383
Disposal costs funded from capital receipts	0	(81)
Other Income (RTB discounts repaid and sales & leasehold extensions)	0	370
Net charges made for retirement benefits in accordance with FRS 17	(4,670)	(2,590)
Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balances for the year		
Transfer (from)/to Major Repairs Reserve	(1,668)	2,696
Notional gain on disposal	0	0
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	6,355	2,846
Net additional amount required by statute to be credited to the HRA Balances for the year	(32,381)	(51,591)

2. Housing stock

The authority was responsible for managing a Housing Revenue Account stock of 26,513 properties as at 31 March 2009 compared with a total of 26,536 properties as at 31 March 2008.

	31 March 2008	31 March 2009
Flats	22,232	22,216
Houses	4,140	4,133
Multi-occupied	163	163
Shared ownership	1	1
Total	26,536	26,513

3. HRA assets

	1 April 2008 £'000	31 March 2009 £'000
Operational properties		
Land	558,002	540,256
Dwellings	1,220,176	1,094,820
Other properties	42,990	44,134
Sub-total	1,821,168	1,679,210
Non-operational properties		
Land	0	2,775
Commercial properties	33,644	30,955
Surplus	0	11,842
TOTAL	1,854,812	1,724,782

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31 December 2008 was £4.447 billion which has been reduced to £1.645 billion to reflect social housing use. The social housing use value is included in the balance sheet. The reduction of £2.801 billion is a measure of the economic cost of providing subsidised housing.

The SORP requirement is to state the vacant possession value as at 1 April 2008. However in order to reflect the current decline in property prices the Council decided to obtain a more up-to-date valuation as at 31 December 2008.

5. Major repairs reserve

The movement on the reserve during 2008/09 is shown below.

	2007/08 £'000	2008/09 £'000
Balance brought forward	14,237	31,195
Transfer to HRA	(1,668)	2,696
Capital expenditure charged to reserve	(5,709)	(47,617)
Transfer from HRA equal to depreciation		
- on flats	17,845	14,943
- on bungalows	96	85
- on houses	4,226	3,753
- on other assets	2,168	1,297
	31,195	6,352

6. Capital expenditure, financing and receipts

	2007/08 £'000	2008/09 £'000
HRA capital expenditure		
Works to dwellings	52,040	47,529
Works to non-dwellings	250	3,145
	52,290	50,674
Financing of capital expenditure		
Borrowing	8,989	0
Usable Capital Receipts	35,728	2,331
Major Repairs Reserve	5,709	47,617
Grants	456	726
S20	1,408	0
Total	52,290	50,674
Capital Receipts		
Dwellings	20,344	7,460
Other properties	32,603	1,445
Total	52,947	8,905

7. Depreciation and impairment

	2007/08 £'000	2008/09 £'000
Depreciation charged for the year		
Operational assets	22,167	18,856
Non-operational assets	2,168	1,222
Impairment	31,399	60,258
Total	55,734	80,336

The 2008/09 impairment charge is a direct result of the decline in the property market. Of the £60.2m total charge for the year, £56m relates to dwellings and £4.2m to other assets.

8. Housing Revenue Account subsidy

	2007/08 £'000	2008/09 £'000
Major repairs allowance	22,666	22,774
Housing element	2,823	(10,459)
Subsidy due for the year	25,489	12,315
Subsidy limitation adjustment	0	(153)
Subsidy receivable	25,489	12,162

9. Rent arrears

	2007/08	2008/09
	£'000	£'000
Arrears as at 31 March	22,718	20,692
Provision for bad debts	(12,090)	(10,938)
Collectable amount	10,628	9,754

10. Revenue Expenditure Funded from Capital under Statute (formerly Deferred Charges)

The sum of £0.731m has been charged against the HRA Income and Expenditure account as per proper practice for revenue expenditure funded from capital under statute, and has been reversed out through the Statement of Movement on the HRA Balance, thus having no net effect on the HRA balance.

11. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has made a contribution to the Pension Reserve of £256k, as per proper practice. The impact of this on the HRA balance is nullified by means of a reversing entry in the Statement of Movement on the HRA Balance.

12. Movement on HRA Dwelling Rents and Charges for Services and Facilities

In 2008/09 the Council completed an exercise whereby charges for services and facilities were “de-pooled” from rents. As a result the 2007/08 comparative figures for these areas do not align with the 2008/09 amounts.

13. Exceptional Items

The impairment of assets depends primarily on financial conditions prevailing at the time of review. The financial impact of these accounting adjustments can vary significantly from year to year and, for the purposes of ensuring the comparison of the total cost of services between years is meaningful, the relevant costs have been recorded as exceptional items.

14. Restatement of Prior-Year Amounts

Following a review of the coding of income and expenditure, the following lines in the HRA have been reanalysed to put them on a comparable basis, subject to the matter set out in note 12.

	Restated From	Restated To
	£'000	£'000
Income		
Dwelling rents	(107,515)	(107,307)
Non-dwelling rents	(2,849)	(3,319)
Charges for services and facilities	(12,816)	(20,560)
Contributions Towards Expenditure	0	0
HRA subsidy receivable	(25,489)	(25,489)
Expenditure		
Repairs and maintenance	36,825	24,128
Supervision and management	56,905	78,550
Rents, rates, taxes and other charges	3,542	2,600
Depreciation of fixed assets	24,335	24,335
Impairment	31,399	0
Debt management expenses	115	115
Increase in bad debt provision	3,402	3,402
HRA share of Corporate and Democratic Core	800	800
Exceptional Item - Impairment	0	31,399
Net cost of HRA services	8,654	8,654

COLLECTION FUND

		31 March 2008		31 March 2009	
	Note	£'000	£'000	£'000	£'000
INCOME					
Council Tax	1		101,224		105,820
National Non-Domestic Rates	2		78,900		89,138
Transfers from the General Fund			25,609		27,036
			<u>205,733</u>		<u>221,994</u>
EXPENDITURE					
Precepts and Demands					
Greater London Authority		30,291		31,160	
London Borough of Lambeth		<u>88,042</u>		<u>93,059</u>	
			118,333		124,219
National Non-Domestic Rates					
Payment to National Pool		78,407		88,656	
Cost of Collection Allowance		<u>493</u>		<u>482</u>	
			78,900		89,138
Provision for bad and doubtful debts			2,250		10,846
Write-offs			3,979		3,492
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		577		578
Adjustment – Community Charge	4		<u>27</u>		<u>6</u>
			<u>205,747</u>		<u>229,960</u>
DEFICIT FOR THE YEAR			<u>(14)</u>		<u>(7,966)</u>
MOVEMENT ON FUND BALANCE					
Surplus brought forward 1 April			8,379		8,365
Movement for the year					
Council Tax		13		(7,960)	
Community Charge		<u>(27)</u>		<u>(6)</u>	
			(14)		(7,966)
Surplus balance carried forward 31 March			<u>8,365</u>		<u>399</u>

Note: At some point in previous years and probably as a cumulative effect over several years, the provision for bad debt on Council Taxpayers was not being made at a sufficiently adequate level and the apparent surplus income was accumulating in the Collection fund. The methodology used to estimate the bad debt provision requirement has been modified to make provision at a more prudent level that better reflects the reality of the estimated future cash collection rates.

Notes to the Collection Fund

1. Under the arrangements for **Council Tax**, each domestic property within the Council's area was 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 2009, the band D Council Tax was set at £1,235.11 based upon a tax base of 100,575 (for 2007/08, £1,187.23 based upon a tax base of 99,681) and included the £309.82 requirement of the Greater London Authority (£303.88 in 2007/08).

The table below shows the calculation of the Council Tax Base for 2008/09

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,717	3,777	6/9	2,518
B	32,112	25,985	7/9	20,211
C	37,101	31,420	8/9	27,929
D	26,735	23,357	9/9	23,357
E	12,959	11,599	11/9	14,176
F	8,568	7,729	13/9	11,165
G	5,274	4,798	15/9	7,997
H	604	515	18/9	1,029
O				1
TOTALS	128,070	109,180		108,383
Adjustment for expected movements in property base				(2,515)
				105,868
Adjustment for collection rate				(5,293)
Tax base for Council Tax purposes				100,575

2. **National Non-Domestic Rates** are organised on a national basis. Central Government specifies an amount, 46.2p in 2008/09 (44.4p in 2007/08) and 45.8p for small business rate-relief (44.1p in 2007/08). 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 2008/09 is based upon a total rateable value for the Council's area of £230.05m at 31 March 2009 (£228.68m at 31 March 2008).

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 2008/09 account in respect of Community Charge adjustments is made up as follows:

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
Increase in provision for bad debts		27		6
Net Community Charge adjustments		27		6

FINANCIAL STATEMENTS

FUND ACCOUNT	Note	2007/08 £'000	2008/09 £'000
CONTRIBUTIONS AND BENEFITS			
<i>Contributions:</i>			
From employers	8a	31,426	32,046
From employees		6,940	8,388
Transfers in		5,118	3,443
Income re equivalent contribution scheme		7	4
		<u>43,491</u>	<u>43,881</u>
<i>Benefits:</i>	8b		
Pensions		(28,956)	(30,459)
Commutations and lump sum retirement benefits		<u>(4,783)</u>	<u>(5,904)</u>
		(33,739)	(36,363)
<i>Leavers</i>			
Refunds to members leaving service		(10)	(23)
Transfers out – Individuals		(5,889)	(2,694)
State Scheme Premiums		<u>(3)</u>	<u>(1)</u>
		(5,902)	(2,718)
Administrative and other expenses borne by the scheme	3	<u>(942)</u>	<u>(936)</u>
		<u>(40,583)</u>	<u>(40,017)</u>
Net investments from dealings with members		2,908	3,864
<i>Returns on investments</i>			
Income earned on investments	7	27,980	11,882
Change in market value of investments		(54,701)	(174,920)
Investment management expenses		<u>(1,858)</u>	<u>(2,064)</u>
Net return on investments		<u>(28,579)</u>	<u>(165,102)</u>
Net decrease in the fund during the year		(25,671)	(161,238)
Opening net assets of the scheme		727,662	701,991
Closing net assets of the scheme		<u>701,991</u>	<u>540,753</u>

NET ASSETS STATEMENT	Note	Valuation	2007/08 £'000	2008/09 £'000
Investment Assets	12			
Fixed interest securities UK		Market Value	73,267	67,054
Fixed interest securities Overseas		Market Value	18,377	5,774
UK equities (shares) – quoted		Market Value	233,064	188,777
Overseas equities (shares) – quoted		Market Value	282,960	216,091
Index Linked Securities UK		Market Value	20,757	18,797
Cash Deposits			18,311	9,756
Pooled Investment Vehicles				
UK unit trusts other		Market Value	10,606	5,076
UK unit trusts – property		Market Value	50,083	34,829
Private Equity		Market Value	10,274	15,998
Venture capital funds		Market Value	269	134
Derivative Contracts				
Futures		Market Value	20	0
UK cash investments		Market Value	(117)	8
			<u>717,871</u>	<u>562,294</u>
Current Assets				
Investment income accrued			3,766	2,306
Inland Revenue – tax claims			161	113
Due from London Borough of Lambeth			<u>0</u>	<u>13</u>
			3,927	2,432
Current Liabilities				
Futures			0	(8)
Forward Contracts			(137)	0
Inland Revenue – refunds			(15)	(18)
Due to London Borough of Lambeth			<u>(19,655)</u>	<u>(23,947)</u>
			(19,807)	(23,973)
Net assets at 31 March			<u>701,991</u>	<u>540,753</u>

The financial statements summarise the transactions of the Fund and the net assets. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the statement by the consulting actuary on page 27 of the annual report and these accounts should be read in conjunction with that.

Net Asset Reconciliation

2008/09	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2008	692,004	7,536	699,540
Purchases	318,277	0	318,277
Sales	(290,359)	0	(290,359)
Change in market value of investments	0	0	0
- Realised Loss	(70,311)	0	(70,311)
- Unrealised Loss	0	(104,609)	(104,609)
Balance at 31 March 2009	649,611	(97,073)	552,538

2007/08	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2007	632,213	83,684	715,897
Purchases	318,888	0	318,888
Sales	(280,546)	0	(280,546)
Change in market value of investments	0	0	0
- Realised Loss	21,449	0	21,449
- Unrealised Loss	0	(76,148)	(76,148)
Balance at 31 March 2008	692,004	7,536	699,540

Net Money Invested	2007/08 £'000	2008/09 £'000
Contributions and Benefits		
<i>Contributions:</i>		
From employers	31,426	32,046
From employees	6,940	8,388
Transfers in	5,118	3,443
Income re equivalent contribution scheme	7	4
Income earned on investments	27,980	11,882
	<u>71,471</u>	<u>55,763</u>
<i>Benefits:</i>		
Pensions	(28,956)	(30,459)
Commutation and lump sum retirement benefits	(4,783)	(5,904)
<i>Leavers</i>		
Refunds to members leaving service	(10)	(23)
Transfers out – Individuals	(5,889)	(2,694)
State Scheme Premiums	(3)	(1)
Administrative and other expenses borne by the scheme	(942)	(936)
Investment management expenses	(1,858)	(2,064)
	<u>(42,441)</u>	<u>(42,081)</u>
Net Money Invested	<u><u>29,030</u></u>	<u><u>13,682</u></u>

Notes to the Pension Fund

1. Basis of Preparation

The London Borough of Lambeth Pension fund Accounts have been prepared in accordance with the CIPFA Code of Practice in Local Authority Accounting in the United Kingdom and comply with the provisions of Chapter 2 (Recommended Accounting Practice) of the Pension SORP 2007 except if reference to the contrary is made.

The SORP financial reports of pension schemes (revised May 2009) comes into effect for these accounts. The key changes in this revision of the SORP is the requirement to value investments at their fair value and where there is an active market this means bid price rather than the previously required mid-market value. In a departure from the SORP these investments (for current and prior years) continue to be valued at mid-market value due to the difference between mid and bid price being immaterial, totalling £0.5m at 31 March 2009.

2. Operation and Membership of the Fund

The London Borough of Lambeth Pension Fund is a funded, defined benefit scheme. The objective of the fund is to provide secure future income for Council employees and employees of outside organisations, who have entered into an agreement with Lambeth for pension purposes. As at 31 March 2009 outside bodies (admitted and scheduled) who had entered into agreement with Lambeth for pension were Age Concern Lambeth, Hyde Housing Association, Thorlands Action Group Ltd, Excel care Holdings plc, Blenheim Gardens RMO, Metra Housing Co-operative, Research Machines plc, Metropolitan Housing Trust, Wellington Mills Housing Co-op, United Resident Housing, Community Trust Housing, Evelyn Grace Academy, Lambeth Academy and Lambeth Living.

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 Second 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.

At 31 March 2009, 4,771 active members (4,370 in 2007/08) paid contribution to the fund; 6,093 pensioners (4,958 in 2007/08) were paid by the fund and there were 6,238 deferred pensioners (5,882 in 2007/08). The table below provides a breakdown:

Employer	Active	Deferred	Pensioner
Administrative Body			
London Borough of Lambeth	4,344	6,152	6,065
Scheduled Body			
Lambeth Academy	41	12	1
Evelyn Grace Academy	3	1	0
Lambeth Living	334	16	3
Admitted Bodies			
Hyde Housing	4	18	9
Research Machines PLC	1	1	0
Metropolitan Housing Trust	5	2	0
Age Concern	1	4	6
Wellington Mills	1	0	0
United Resident Housing	5	1	0
Community Trust Housing	11	1	2
Excel Care	7	7	3
St Martins Community Partners	0	2	0
Metra Housing Co-Op	3	3	0
Stockwell Park	0	2	3
Ethelred TMO	1	9	0
Blenheim Gardens	8	2	0
Thorlands Action Group LTD	2	5	1
Total	4,771	6,238	6,093

3. Fund Administration and Management

The Fund is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 and the LGPS (management and Investment of Funds) Regulations 1998. Pension Fund administration (administrative expenses in the pension fund account) is carried out in house, while custodial arrangements and fund investment is mainly outsourced to external investment managers (investment management expenses in the pension fund account) under the guidance of Lambeth's Pension Fund Investment Panel. The investment portfolio is managed by the fund managers under the Statement of Investment Principles laid down by the Council.

Administrative Expenses	2007/08 £'000	2008/09 £'000
These comprise:		
Pensions Administration	549	557
Pension Fund Administration	393	226
Additional Central Overhead Recharges (BVACOP)	0	153
	942	936

The basis of apportionment of BVACOP charges has changed in 2008/09. The 2007/08 charges relate directly to the cost of running the fund. In 2008/09 a further charge has been included for central overheads.

4. Accounting Policies

Accruals Concept

Unless otherwise stated, the accounts have been prepared on accrual basis. The transfer values have been accounted on cash basis and the administrative expenses are based on actual spending for the year for the pension administration and pension fund administration. The basis of preparation is consistent with last year.

Comparative information has been disclosed as much as possible unless where comparative information is not available and it is impracticable to obtain or estimate in accordance with paragraph 104 of FRS 26.

Valuation of Investments

- In a departure from the pension SORP 2007 the Fund continued to apply the mid-market price method for assessing the current market value of the different categories of investment asset and liability held by the Fund as at 31 March 2009 due to the difference between mid and bid price being immaterial, totalling £0.5m. No other significant estimation techniques been used in assessing the value of the investment.
- 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.
- Open future contracts are valued at fair value which is determined using the exchange prices at the net assets statement date.

Contributions

Contributions represent the total amount receivable from the various employers participating in the Fund in respect of their own contributions and those of their pensionable employees. The employers' contributions are made at rates determined by the Fund Actuary.

Benefits and Refunds

Benefits and refunds are accounted for in the year in which they become due for payment.

Transfer Values

Transfer values are those funds paid to or received from other pension schemes for individuals and relate to periods of previous pensionable employment. Transfer values received and transfer values paid are accounted for on a receipts and payments basis.

Administrative Expenses

Certain specific expenses have been charged directly to the Fund and other office expenses and related overheads have been charged to the Fund in proportion to staff head count. Salaries of the relevant officers have been charged to the Fund on the basis of actual time spent on investment and related matters and pension administration.

Pension Increase

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.

5. Actuarial Valuation

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.

Valuation Assumptions

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 Fund's assets were £727.6m 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 £12m (increasing each year at 4.7% p.a.), based on the assumption that the deficit is funded over 16 years.

6. Market Value of Assets and proportion managed by each Fund Manager

As at 31 March 2009, the total market value of the investments of the Fund was £552.5m (£699.5m as at 31 March 2008), of which 23.7% is managed by Aberdeen Asset Management, 39.63% by UBS Global Asset Management, 7.99% by Majedie Asset Management and 22.36% by Alliance Bernstein. Various other managers invest the remainder in Venture Capital Funds and Property including an investment of £16.0m (2.90%) made in Private Equity with Adams Street Partners. The table below shows the breakdown of the investments at market value between the managers.

	Aberdeen	Aberdeen Global	UBS	AB	Majedie	REEF	Others	TOTAL	%
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	of Fund
UK Equities	0	9,908	88,365	48,933	41,571	0	0	188,777	34.17
UK Unit Trusts	0	0	2,518	0	2,558	0	0	5,076	0.92
UK Unit Trusts - property	0	0	16,106	0	0	18,723	0	34,829	6.30
Overseas Equities	0	60,894	80,609	74,588	0	0	0	216,091	39.11
UK Fixed Interest	47,734	0	19,320	0	0	0	0	67,054	12.14
UK Index Linked	12,496	0	6,301	0	0	0	0	18,797	3.40
Overseas Fixed Interest	0	0	5,774	0	0	0	0	5,774	1.04
UK Cash	0	0	0	8	0	0	0	8	0.00
Investments									
Adams Street	0	0	0	0	0	0	15,998	15,998	2.90
Private Equity									
UK venture capital funds	0	0	0	0	0	0	134	134	0.02
TOTAL	60,230	70,802	218,993	123,529	44,129	18,723	16,132	552,538	100.00

Private Equity investment is valued at latest available market valuation - 31 December 2008. Overall, the Fund has committed 5% of the market value of the Pension fund to be invested in private equity.

a) Reconciliation between opening and closing value of investments

Investment managers	Opening balance	Purchases	Sales	Realised gain/(loss)	Unrealised gain/(loss)	Closing balance	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aberdeen - Global	86,047	33,688	(30,680)	(10,073)	(8,181)	70,801	(15,246)
Aberdeen – Fixed Interest	60,583	7,577	(6,787)	714	(1,856)	60,231	(352)
AllianceBernstein	175,142	118,980	(112,393)	(37,145)	(21,055)	123,529	(51,613)
Majedie	57,900	32,165	(29,788)	(5,119)	(11,029)	44,129	(13,771)
UBS	273,708	118,958	(110,713)	(18,236)	(44,724)	218,993	(54,715)
RREEF	28,128	818	0	(250)	(9,973)	18,723	(9,405)
Adams Street	10,274	6,089	0	0	(365)	15,998	5,724
Venture capital	225	0	0	(200)	109	134	(91)
TOTAL	692,007	318,275	(290,361)	(70,309)	(97,074)	552,538	(139,469)

The change in market value comprises realised losses of £70,309k and unrealised losses of £97,074k.

6. Market Value of Assets and proportion managed by each Fund Manager - continued

b) Direct transaction cost

Fund manager	£'000
Majedie	265
UBS	318
AllianceBernstein	3,793
Aberdeen	74
TOTAL	4,450

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the investment. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administration or holding cost.

The amount of indirect costs is not separately provided to the Fund.

c) Derivative contracts as at 31 March 2009

Security name	Economic Exposure value £	Market value £	Expiration
FTSE 100 IDX Futures	264,075	7,875	< 1year

- Stock index futures (fully collateralized) are used for the purposes of efficient portfolio management, e.g. to equitise cash when necessary
- Short currency forwards are used for defensively hedging non-GBP exposures back to sterling
- Local Access Products (rights, warrants, ADRs, GDRs, and p-notes) are also generally permitted in the portfolio; rights are usually held when received as a part of a corporate action, and the other instruments are most often utilized to gain exposure to securities in countries where we are not locally registered

7. Investment Income

	2007/08 £'000	2008/09 £'000
Interest on cash deposits	3,833	228
Dividends on Equities	24,147	18,376
Other receipts and capital movement	0	228
Passive currency hedging	0	(6,950)
	27,980	11,882

8. Total Contributions

a) Contributions from Employers	2007/08 £'000	2008/09 £'000
Normal	18,426	20,046
Deficit Funding	13,000	12,000
	31,426	32,046

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 £12m (increasing each year at 4.7% p.a.), based on the assumption that the deficit is funded over 16 years.

b) Total Contributions Received and Benefits Paid	Administering Body (Lambeth) 2008/09 £'000	Scheduled Bodies 2008/09 £'000	Admitted Bodies 2008/09 £'000
Contributions received	43,378	184	319
Benefits paid	36,230	116	17

9. Security Lending

As at 31 March 2009 the fund had £12.5m collateral value of stock released to third parties under stock lending arrangement. Description of the related collateral is available on file.

10. Statement of Investment Policies

A copy of the statement of investment principles can be obtained by contacting London Borough of Lambeth Pension Fund or via the corporate website www.lambeth.gov.uk/pensions.

11. Additional Voluntary Contribution

According to regulation 5(2)(C) of the Pension Scheme (Management and Investment of Funds) Regulation 1998, the Additional Voluntary Contributions are not included in the Pension Fund Accounts. The AVCs are invested superlatively and the table shows the details, value of the investments and the contributions received as at 31 March 2009.

Name	Total contribution (£'000)	Value of fund (£'000)
Prudential	73	102
Equitable Life	14	218
Clerical Medical	2	88
Total	89	408

12. Investments

At 31 March 2009, the Fund's 20 largest investments were:

	2007/08		2008/09	
	£'000	% of Fund	£'000	% of Fund
1 Aberdeen core plus Sterling BD Fund Cls D SHS	22,053	3.15	26,923	4.87
2 Aberdeen Fund core plus Sterling credit Fund Cls D SHS	26,930	3.85	20,811	3.77
3 BP ORD USD 0.25	17,369	2.48	17,294	3.13
4 RREEF Ltd UK core property Fund A	23,524	3.36	16,506	2.99
5 Vodafone Group ORD USD0.11428571	18,249	2.61	16,025	2.9
6 UBS Life duration Neutral Corp Bond Fund A units	0	0	13,621	2.47
7 UBS Triton Property Unit Trust	20,268	2.90	13,250	2.4
8 UBS Global emerging market equity J Shares	10,246	1.46	12,886	2.33
9 Aberdeen core plus IDX BD FD CLS D	12,866	1.84	12,496	2.26
10 Glaxosmithline ORD GBP0.25	11,827	1.69	11,373	2.06
11 HSBC Holdings ORD USD0.50(UK REG)	9,869	1.41	6,946	1.26
12 Xstrata Plc ORD UDD0.50	0	0	5,816	1.05
13 Royal Dutch Shell 'B'SHS EUR0.07	13,203	1.89	5,678	1.03
14 Tesco ORD GBP0.05	7,035	1.01	5,286	0.96
15 Astrazeneca USD0.25P	6,882	0.98	5,173	0.94
16 Rio Tinto ORD GBP0.10	9,657	1.38	4,836	0.88
17 Royal Bank Of Scotland ORD GBP0.25	7,900	1.13	4,494	0.81
18 Centrica ORD GBP0.061728395	5,516	0.79	4,410	0.8
19 UBS Life Duration Neutral UK Lond dated Corp Bond A UNITS	13,950	1.99	3,844	0.7
20 British American Tobacco ORD GBP0.25	5,493	0.79	3,798	0.69
	242,837	34.71	211,466	38.30

The table overleaf shows a detailed breakdown of the investments held by the Pension Fund (excluding cash) at the end of 2007/08 and 2008/09:

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
UK EQUITIES				
Resources				
Mining	17,417		16,714	
Oil & Gas	42,235		39,361	
Basic Industries				
Chemicals	461		0	
Construction and building materials	2,326		1,479	
Diversified industrials	0		0	
Forestry and paper	602		0	
Steel & other metals	3,163		0	
General Industrials				
Aerospace and defence	2,866		2,876	
Electronic and electrical equipment	3,318		2,174	
Engineering and machinery	3,517		2,499	
Cyclical Consumer Goods				
Automobiles and parts	426		1,039	
Household goods and textiles	809		2,515	
Non-Cyclical Consumer Goods				
Beverages	3,359		3,033	
Food producers and processors	15,038		9,019	
Health	6,589		0	
Pharmaceuticals	12,141		13,039	
Personal care and household products	1,042		4,604	
Tobacco	6,001		5,600	
Cyclical Services				
General retailers	2,336		4,240	
Leisure, entertainment and hotels	5,040		5,562	
Media and photography	8,753		4,839	
Support services	5,797		6,713	
Transport	1,844		381	
Non-Cyclical Services				
Food and drug retail	8,355		7,054	
Telecommunication services	18,243		16,212	
Utilities				
Electricity	3,990		2,316	
Gas distribution	5,515		5,730	
Water	267		458	
Financials				
Banks	29,594		15,674	
Insurance	5,419		4,330	
Life assurance	7,201		3,467	
Investment companies	3,266		2,277	
Real estate	554		1,067	
Special and other finance	3,685		2,041	
Information Technology				
Information technology hardware	71		269	
Software and computer services	1,824		2,195	
Total UK Equities		233,064		188,777
UK UNIT TRUSTS				
Small companies	10,606		5,076	
Total UK Unit Trusts		10,606		5,076
OVERSEAS EQUITIES				
United States	98,135		77,025	
Japan	37,084		24,951	
Europe	88,807		68,229	
Pacific Region	23,008		18,109	
Developing markets	35,926		27,777	
Total Overseas Equities		282,960		216,091

Fixed Interest Securities UK – Public Sector quoted	5,937	1,851
Fixed Interest Securities UK – Corporate quoted	67,330	65,203
Fixed Interest Securities Overseas – Public Sector quoted	10,019	3,954
Fixed Interest Securities Overseas – Corporate quoted	8,358	1,820
Index Linked Securities UK – Public Sector quoted	7,502	5,955
Index Linked Securities UK – Corporate quoted	13,255	12,842
UK Unit Trusts - Property	50,083	34,829
UK Cash Investments	(117)	8
Private Equity	10,274	15,998
Venture Capital Funds	269	134
Total Value of Investments	699,540	552,538

During the year the Fund purchased investments totalling £318.3m (2007/08 - £319.4m) and sold investments to the value of £290.4m (2007/08 - £281.1m). The realised loss amounted to £70.3m (2007/08 £21.5m profit).

13. 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 responsibility for the Pension Fund have undertaken 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.

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.

Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

There is some expenditure which legislation classifies as capital, although it does not result in the creation of fixed asset belonging to the Authority. An example is where the Council pays an improvement grant in respect of a private sector dwelling. These were previously defined as Deferred Charges.

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.