



Lambeth

2009/2010

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 2010. The Accounts and Audit Regulations 2006 require the Statement of Accounts to be approved by 30 June 2010. The accounts are set out on pages 31 to 88.

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 2009 (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 of 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 31 March 2010. It shows the balances and reserves at the Council's disposal, its long-term indebtedness and the fixed and net assets employed in its operations, together with summarised information on the assets held.

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

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

Housing Revenue Account (HRA) - Income and Expenditure Account and the Statement of Movement on the HRA Balance: The Council is required by law to account separately for the provision of Council housing. This account

shows the major elements of housing revenue expenditure; repairs and maintenance, administration and capital and financing costs and how the expenditure is financed from rents, grants and other income. As with the Income and Expenditure Account this account is supported by the Statement of Movement on the HRA Balance.

Changes to the 2009/10 Statement of Accounts

There are three substantive changes to the accounts for 2009/2010 when compared to 2008/2009. The Code of Practice on Local Authority Accounting in the United Kingdom Statement of Recommended Practice 2009 has introduced new provisions under International Financial Reporting Standards (IFRS), specifically International Financial Reporting Interpretations Committee (IFRIC) interpretation 12 which requires the Council to a) review the accounting treatment of its PFI contracts and b) to determine whether Service Concession arrangements exist. The Council has also had to change how it accounts for National Non-Domestic Rates (NNDR) and Council Tax.

The PFI contracts are for Lilian Baylis School, ICT services in 10 schools and the provision of street lighting. As a result of the review, the properties/equipment being used by the PFI operator to deliver these services, which were previously off balance sheet, are now required to be recognised on the Council's Balance Sheet, together with the liability for the financing provided by the operator.

The Council has reviewed its other contracts for Service Concession arrangements. A service concession arrangement is an arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the council's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement. In practical terms this has resulted in two additional assets in respect of the 'Home to School service' and the waste management contract being recognised on the Balance Sheet with their corresponding liabilities (finance leases).

With regard to collection of local taxes, the Accounts are now prepared on the basis that the Council, as a billing authority, acts as the agent for Central Government in respect of NNDR and as agent for the GLA in respect of its element of the Council Tax. The Balance Sheet now shows the Council's share of the Collection Fund balance under the Collection Fund Adjustment Account.

Summary of financial performance in the year

During the financial year ended 31 March 2010 Lambeth's General Fund's financial position has been subjected to significant pressures which have resulted in a reduction in the year end balance. The Housing Revenue Account, in deficit at the end of 2008/09, has been carefully managed and management action has returned the Account to a surplus. This is a significant achievement within a twelve-month period. The main highlights are:-

- The General Fund balance as at 31 March 2010 (excluding schools balances) stands at £28.7m compared with a balance of £31.0m at the start of the year.
- The Locally Managed Schools (LMS) balance as at 31 March 2010 stands at £14.5m compared with a balance of £16.2m at the start of the year.
- The Housing Revenue Account as at 31 March 2010 stands at a £0.05m surplus compared with a deficit balance of £12.2m at the start of the year.
- The Council's share of the Collection Fund balance as at 31 March 2010 stands at a £1m deficit compared with a surplus balance of £0.3m at the start of the year.
- The Pension Fund net assets balance (market value) as at 31 March 2010 stands at £765.0m compared with a balance of £540.8m at the start of the year.
- The Usable Capital Receipts Reserve as at 31 March 2010 stands at £31.0m compared to £33.4m at the start of the year.
- Long-term debt outstanding as at 31 March 2010 stands at £626.1m compared to £691.4m at the start of the year
- The Revaluation Reserve as at 31 March 2010 stands at £248.0m compared to £188.0m at the start of the year.

As described there was significant pressure resulting in a forecast overspend in the Housing, Regeneration and Environment department, in particular parking services (£10.8m). In addition to structural budget changes, a review has been undertaken and management action put in place to deal with problems with the calculation of overall debt outstanding with attendant bad debt provision calculations. One-off corrections in 2009/10 do not need to be repeated in 2010/11. Aligned with a review, there have also been changes introduced to the management structure. There was

continued pressure within the Temporary accommodation service which overspent by £3.1m. A detailed action plan has been prepared by the Department and will be tracked on weekly basis. Extensive work has been done to realign budgets and review business processes within the service. Management action is underway to address this matter including changes to the IT systems and procedures within the service coupled with additional compliance checking.

These overspends were offset by very good budget management and underspends across the Council. The Adult and Community Services and Finance and Resources departments and the Office of the Chief Executive all came in within budget. The Children and Young People's Services department managed its pressures to within 0.5% of budget.

In addition the Council was able to mitigate the overall financial pressures by careful stewardship of corporately held budgets whereby savings were achieved by lower contributions to provisions than anticipated, fewer redundancies than budgeted, a lower lump sum contribution to the Pension Fund and by the use of contingent sums being held over until 2010/11.

The financial results for the year leave the General Fund (excluding schools) with a balance in excess of £28m, at the upper end of the recommended range (£15m to £30m). The Council has not been able to add to its reserves and has had to review and realign existing balances in accordance with pressures identified.

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 is monitored and reviewed at the most senior level every month.

2008/09 Closedown Review

The Corporate Committee received the District Auditor's statutory report to "those charged with governance", (the ISA260 report) setting out those matters arising from his audit that he wishes to draw to the attention of Members on 23rd September 2009. The 2008/09 audit was successful with the Accounts receiving an unqualified opinion within statutory timescales. There are no material issues outstanding from the 2008/09 audit.

2009/10 Audit Plan

Deloitte LLP, the Council's External Auditor appointed by the Audit Commission, presented its Audit Plan for the audit of the 2009/10 accounts to the Corporate Committee on 27 January 2010. The main focus points for the audit were identified as follows:-

- Recognition of grant income
- Pension liability assumptions
- Bad debt provisions
- Property valuations
- Private Finance Initiative (PFI) transactions
- Accounting for local taxes
- Statutory accounting for the Housing Revenue Account

These items either arose from observations made during the 2008/09 audit or because of new accounting requirements for 2009/10. The Council has improved processes during the year and planned for the additional workload as part of the closedown process to ensure the treatment of the foregoing items meets quality standards.

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 claims being made in respect of an employment tribunal claim, a judicial review and claims made in restitution.

There is also a contingent asset disclosure in respect of outstanding items under a claim 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 adjusting event after the balance sheet date whereby part of the claim lodged with Her Majesty's Revenue & Customs for overpaid VAT referred to above has been settled, resulting in a net receipt after fees of £1.7m.

2009/10 Outturn

Revenue

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

Table 1

Income Stream	Budget £m	Actual £m
Formula Grant (including National Non-Domestic Rates and Revenue Support Grant)	211	211
Dedicated Schools Grant	177	177
Council Tax demand	95	95
Rents (housing)	113	111
Interest and Investment income	4	5

Main income streams were broadly as expected. However, the position for housing rents was lower than budgeted.

As the accounts follow the prescribed CIPFA format the Income and Expenditure Account 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 below:

Table 2

Directorate	Final Cash Limits * £000	Outturn adjusted £000	(Under)/ Overspend £000
Adult & Community Services	125,748	125,425	(323)
Children & Young People's Service	124,191	124,863	672
No Recourse to Public Funds	2,789	2,906	117
Office of the Chief Executive	146	1	(145)
Finance & Resources	9,477	8,263	(1,214)
Housing Regeneration & Environment	63,611	75,453	11,842
Technical accounting adjustments**	(20,110)	(28,860)	(8,750)
Total General Fund***	305,852	308,051	2,199
Housing (HRA)	(8,591)	(12,266)	(3,675)

* - Revised budgets include 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 such as pension interest costs, 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 overspend on General Fund services was £2.2m (0.7% of budget). The Housing Revenue Account underspent by £3.7m (42.8%).

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. 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 was able to manage its budgets to a small overspend (0.5%) 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.

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

Finance and Resources – The department was able to manage its business within budget by careful scrutiny and challenge throughout the financial year.

Housing Regeneration & Environment – The HRE General Fund has overspent by £11.8m during 2009-10. Of this overspend the vast majority arises from the Parking Service, which has overspent by £10.8m as a result of a combination of structural budget difficulties, correction of overstated historical debts and in-year contractual costs being higher than budgeted. Other areas overspending in 2009-10 were Temporary Accommodation, within the Strategy & Partnerships Division, and the Resources Division as a result of realigning costs between the General Fund and the HRA.

Housing Revenue Account – The Housing Revenue Account Budget, agreed within the January 2009 Rent Setting report, set a target surplus to be delivered in 2009/10 of £8.6m. This was to offset a projected deficit on balances of that amount based upon the 2008/09 outturn position in October 2008. The actual outturn position for the year was £3.6m worse than this forecast and this has been added to the deficit balances carried by the HRA, meaning that £12.2m needed to be recovered in 2009/10. Management action plans were agreed with Lambeth Living to get the HRA into balance. This has been achieved with a small surplus of £0.05m being generated.

Capital

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

Table 3

Directorate	Budgets	Outturn	(Under) / Overspend	Percentage (Under)overspend
	£000	£000	£000	%
Adult and Community Services	4,694	2,489	(2,205)	(47)
Children & Young People's Services	15,666	16,949	1,283	8
Building Schools for the Future	32,134	32,458	324	1
Finance and Resources	2,005	2,038	33	2
Housing Regeneration & Environment	25,248	18,149	(7,099)	(28)
Housing Revenue Account	65,297	60,690	(4,607)	(7)
Departmental Total	145,044	132,773	(12,271)	(8)

The final outturn for 2009/10 was £132.8m against a final budget of £145.0m (91.6%). Of the larger spending Departments, the HRE department (General Fund and HRA) outturned well within available resources, accounting for more than 95% 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.

As at 31 March 2010 internal sources of funding available to meet capital expenditure and other financial commitments including PFI schemes were £31.0m of useable capital receipts. External sources were £37.6m of unapplied capital grants including section 106 developers' contributions and £2.1m from the major repairs reserve. Further grants and capital receipts are expected in 2010/11 and future years.

In Summary

The ratio of current assets to current liabilities has decreased to approximately 1.5:1. Long-term borrowing has reduced by £65.3m mainly due to planned debt redemption and as a result of the Ashmole Estate Stock transfer. Looking ahead the long-term liability on the pension fund remains a significant concern, with the assessed deficit now at nearly £746m. However, a combination of increased employer's and employees' contributions and improved controls over early retirement, together with the possibility of improved stock market returns means 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 (an 81% increase).

The Council's pension fund's net assets increased by some £224m during the year, reflecting market conditions and active fund management.

The Council's share of the collection fund balance is a deficit of £1.035m after a transfer to the General Fund of £1.5m and a distribution to the Greater London Authority of £0.5m.

The Housing Revenue Account has achieved a surplus of £0.05m as at 31 March 2010 from a deficit balance brought forward of £12.2m. Management action plans were agreed with Lambeth Living to return the HRA to a surplus, which

were carefully monitored throughout the year to ensure a successful outcome. Although the Decent Homes standard deadline has been extended to 2012, the pressure on the Council to achieve the standard remains.

The General Fund balance has fallen for the first time since 2006/07 although balances in excess of £28m have been maintained at 31 March 2010. 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 worldwide financial effects of the so called 'credit crunch', an economic recession and significant reductions in Government funding, but is determined to actively manage these so as to ensure that the financial strength and improvement of the last three years are 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 2010.

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 a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2010.



Mike Suarez

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



Cllr David Malley

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 2010. Subsequent changes were approved at the meeting of the Corporate Committee on 23 September 2010.

Independent Auditors' Report to the Members of the 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 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account and the related notes numbered 1 to 16, the Statement of the Movement on the General Fund Balance and the related note for reconciling items for the statement of movement on the general fund balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes numbered 1 to 30, the Cash Flow Statement and the related notes numbered 1 to 6, the Housing Revenue Account Income and Expenditure Account and the related notes numbered 1 to 13, the Statement of Movement on the Housing Revenue Account Balance and the Collection Fund and the related notes numbered 1 to 6. 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 published by the Audit Commission in April 2008. 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 accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 Authority accounting statements, and consider whether it is consistent with the audited Authority 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 Authority accounting statements. 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the pension fund accounting statements

We have audited the pension fund accounting statements for the year ended 31 March 2010 under the Audit Commission Act 1998. The pension fund accounting statements comprise the Pension Fund Account, the Net Assets Statement and the related notes on net asset reconciliation, net money invested and notes numbered 1 and 13. The pension fund 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 published by the Audit Commission in April 2008. 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 accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the pension fund 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 pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund 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 pension fund 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 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 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 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 accounting statements and related notes.

Opinion

In our opinion the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, 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.

Auditors' Responsibilities

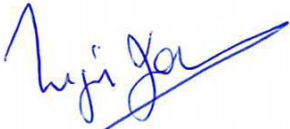
We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you our conclusion in relation to proper arrangements, having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 2009, and the supporting guidance, 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 2010.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



Nigel R Johnson (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
St Albans, United Kingdom

29 September 2010

The Council is responsible for the maintenance and integrity of financial and other information included on the Council's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

ANNUAL GOVERNANCE STATEMENT

1. Scope of responsibility

- 1.1 Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lambeth Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Lambeth Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a 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 on our website at Lambeth's Local Code of Corporate Governance. 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.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled 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 failure but can help to achieve policies, aims and objectives and can therefore provide reasonable and not 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 then manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Lambeth Council for the year ended 31 March 2010 and up to the date of approval of the State of the Borough 2010 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 and communicating the Council's vision of its purpose and intended outcomes for citizens and service users*

- 3.2.1 The Council's vision, priorities and outcomes it is seeking to deliver are set out within its Corporate Plan. The Corporate Plan is the main three-year strategic planning document and guides the development of the Council's annual budget and Department service plans. The plan is aligned to and informed by the commitments made by the borough's local strategic partnership (Lambeth First) which are set out in the Sustainable Community Strategy (2008-2020) and Local Area Agreement (2008-11).

- 3.2.2 The vision of Lambeth Council, as set out in the Corporate Plan, is to ensure that Lambeth becomes "a diverse, dynamic and enterprising borough at the heart of London". This is underpinned by three Council 'promises' that determine the way in which services will be delivered and the approach to the Council's residents. The Council's promises are to:

- Deliver quality and value for money
- Tackle inequality and social exclusion
- Listen to and engage with our customers.

- 3.2.3 The Council has identified six corporate priorities which set out the ways in which it will begin to deliver this vision. These are:

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

3.2.4 In order to communicate the key elements of the Corporate Plan, a series of 'in-house' communication campaigns have been mounted, including 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. Externally the Council publishes an Annual Report for residents and partners. This sets out the achievements the Council has made against our corporate priorities.

3.3. Reviewing the Council's vision and its implications for the council's governance arrangements

3.3.1 The current corporate outcomes framework was initially agreed in March 2008 by Cabinet and underpinned the Council's 2008/11 Corporate Plan. Cabinet agreed that this framework would be refreshed annually as part of the service and financial planning process. The Corporate Plan was therefore reviewed and refreshed, through stakeholder consultation during 2008/09 and this led to the updated Corporate Plan (2009/12), which was approved by Cabinet in April 2009.

3.3.2 The refresh of the Corporate Plan was undertaken as part of the service and financial planning process for 2009/10 – 2011/12. Building on information emerging from Departments, officers undertook an analysis of the Corporate Plan, to ensure the organisations vision/priorities/outcomes continued to reflect the most important issues facing the borough. This review used information from:

- Discussions at special quarterly away days for Cabinet and the Strategic Leadership Board where they worked on reviewing our vision and direction as an organisation and discuss savings proposals
- Findings from key needs assessments undertaken
- Findings from community consultation activities e.g. resident survey
- Findings from the Comprehensive Performance Assessment inspection process
- Findings from a review of national policy.

3.3.3 Moving forward, in tandem with the development of the Council's budget for 2010/11 – 2012/13, the service and financial planning process will also develop a refreshed Corporate Plan 2010/13, refreshed Department Service Plans and refreshed Division Service Plans. The Corporate Plan 2010/13 will continue to set out the vision, priorities and outcomes (referred to as the corporate outcomes framework) for the Council. In addition, the Service Plans will show how the Council will use its financial resources to deliver the necessary service improvements which will enable its vision, priorities and outcomes to be met.

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

3.4.1 One of the Council's promises is that key Council services are delivered economically, efficiently and effectively, are of the right quality, meet the needs of the local community, and realise meaningful and measurable outcomes and benefits. During 2009/10, the Council has continued to develop the suite of tools within the VfM Toolkit, including: the Strategic Compass; the VfM Quadrant Matrix; the VfM Scorecard; VfM benchmark review framework; and internal audit reviews. The Council carried out a number of VfM reviews in 2009/10.

3.4.2 The Council has continued to build on existing procurement processes which are focused on securing VfM and efficiency gains where appropriate. VfM is integral to the procurement process and the Council promotes the consideration of whole life costs in all instances. The Council undertook a number of procurements using the latest innovative approaches which resulted in measurable benefits to the Council and its partners.

3.4.3 The Council uses benchmarking information to better understand its relative position against other authorities, and the key drivers which govern its financial and non financial performance. The strategic compass is primarily used to demonstrate VfM performance and plot direction of travel. Benchmarking activity is routinely used by departments across the Council. Benchmark activity is contributing to the creation of the cross Council benchmarking database.

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

- 3.5.1 The Council's constitution describes the roles and responsibilities of the executive, non-executive, scrutiny and other functions. The Constitution is kept under regular review and during 2009/10 it was revised to reflect new statutory requirements and updated to reflect current governance arrangements, such as Standing Orders. The main changes relate to the expansion of the scrutiny function, and the requirement to adopt a new form of executive. 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.
- 3.5.2 The Council adopted the "new style" Leader and Cabinet model on 21 October 2009, which was due to come into effect on 10 May 2010. The two options available were a "new style" Leader and Cabinet Executive, or an elected Mayor and Cabinet Executive. Further changes will be considered by the incoming administration following the May 2010 council elections.
- 3.5.3 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.
- 3.5.4 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 enquiries into matters of local concern.
- 3.5.5 The Council also has committees which oversee its regulatory functions, that is, those concerning licensing and planning.
- 3.5.6 The Standards Committee reviews and oversees Councillor training and the Council's Whistleblowing Policy. The Standards Committee is responsible for assessing and investigating complaints about members' conduct and submits an annual report to full Council on its work, including in relation to member conduct and complaints made against members.

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

- 3.6.1 The member and officer Codes of Conduct reinforce the Council's commitment to all related statutory and ethical duties and are 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.
- 3.6.2 The officer code of conduct sets down the standards it expects from all officers. All officers are bound by the code of conduct, which is incorporated into their terms and conditions of employment. The staff code is communicated to officers by way of inclusion in all offer letters, is on the intranet site and is referenced in all induction materials. Corporate and departmental inductions include these.
- 3.6.3 The Council has adopted a 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.
- 3.6.4 Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the code of conduct for members. The Standards Committee receives cyclical reports on complaints about member conduct, and whistleblowing allegations
- 3.6.5 The Standards Committee is chaired by an independent co-opted member and works to promote and maintain high ethical standards. It receives cyclical reports on complaints about member conduct, and whistleblowing allegations.

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

- 3.7.1 The Council has robust processes and procedures that ensure the principles of good governance are applied throughout the organisation. Decision-making processes are transparent and result in relevant

and recorded actions; timely decisions are made to ensure priorities are met. Forthcoming key decisions are published in the Forward Plan (Cabinet and officer proposed decisions). Full public information on proposed officer decisions involving expenditure over £100k is published on a public database with five clear days notice, and also when the decision is taken. All members of the Council are automatically notified when these proposed decisions are logged. 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.

3.7.2 A Scheme of Delegation that sets out the powers delegated to officers, the Financial Regulations and various Procedure Rules all form part of the Constitution. The Constitution is reviewed regularly by the Constitution Working Group led 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.

3.7.3 Risk management is well-developed and is central to, and embedded in, the wider service delivery and decision-making processes. The Council's risk management policy statement highlights this intent to manage threats as well as opportunities. The Risk Management Strategy 2007 - 2010 was reviewed and updated in July 2009 in line with the annual review schedule. The Corporate Risk Register, supported by the Strategic and Operational Risk Registers, is reviewed periodically and covers all departments, projects and partnerships. The Council recognises the importance of ensuring that risks are effectively managed across its partnerships and that resources and intelligence are shared to ensure risks are analysed and controlled as appropriate.

3.8. Ensuring that the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)

3.8.1 The Council operates a devolved financial management structure under the leadership of a Chief Financial Officer (CFO) who performs the Section 151 role. The CFO role is vested in the Executive Director of Finance and Resources and he is professionally qualified, reports directly to the Chief Executive and is a member of the leadership team, with a status that is equivalent to other members. The Council's existing arrangements ensure that it is committed to good practice in both governance and financial management and ensures that its CFO is able to operate effectively. As a result, Council staff have access to good quality financial advice.

3.8.2 Effective management of the budget is achieved through -

- All departments having monthly monitoring, whereby the Business Unit manager reviews budget and adequacy of forecast.
- Departmental Leadership Teams reviewing their budgets monthly.

3.8.3 The Council ensures financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) by ensuring that there are adequate and robust physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes in order to:

- Establish a medium term business and financial plan and to set a lawful budget.
- Ensure that accurate and timely in year monitoring is prepared and available for in-year decision-making to both budget holders and elected members, and
- Ensure that annual accounts are produced on a timely basis.

3.9. Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities

3.9.1 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.

3.10. Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

3.10.1 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 Departments.
- Awareness, understanding and training carried out by internal officers and external specialists.
- The drawing up and circulation of guidance and advice on key procedures, policies and practices.
- Formal legal and financial clearance of all decision-making reports.
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Executive Director of Finance & Resources) and the Monitoring Officer (Director of Legal Services & Democratic Services).

3.10.2 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).

3.10.3 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 2009/10.

3.10.4 Under Section 114, Local Government Finance Act 1988, 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 2009/10 financial year.

3.10.5 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.

3.11 Whistleblowing and receiving and investigating complaints from the public

3.11.1 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.

3.11.2 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.

3.11.3 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.

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

3.12.1 The Council's elected members are well supported to develop their skills and deliver their role effectively. The member development programme was refreshed during 2009/10 in anticipation of the requirements of the incoming administration after the May 2010 elections. The programme is modelled on the I&DEA Council Competency Framework covering: Local Leadership; Political Understanding; Partnership Working; Scrutiny and Challenge; Communication Skills; Regulation and Monitoring.

3.12.2 The Council is seeking to achieve the Member Development Charter in 2010/11 and has used the self-assessment template, as promoted by London Councils and IDeA, to develop its programme. The assessment of the current activities scored 60%, and the results were used to develop a programme for 2010-2014. Lambeth is also actively engaged with colleagues through the London Member Development Network, which the Head of Democratic Services and Scrutiny currently chairs.

3.12.3 The Council has continued to provide the Modern Councillor scheme of e-learning to elected members. Members receive coaching and mentoring in order to improve their skills set. Training has been provided by I&DEA, and cascaded down to other members. This was recognised as good practice as part of the Equality Standards framework. Lambeth has moved from the externally assessed level three, which was inspected in the summer of 2008, to a currently self-assessed level four.

- 3.12.4 Members of key committees, such as the scrutiny committee and its panels, have received specialised training in order to equip them to carry out their duties. Support and information is also provided to opposition parties when they seek to put forward alternative budgets.
- 3.12.5 The Council has improved decision making by introducing quarterly away days between Senior Leadership Board (SLB) and Cabinet. These joint away days have helped to underpin the Council's strategic direction by examining the future direction of public services, key external challenges facing the local area and organisation and debates around how the Council can work in partnership to deliver local outcomes. Member and officer relations remain good across the organisation and across all political parties.
- 3.12.6 The development needs of all staff, including Executive Directors and Heads of Service, 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.
- 3.12.7 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.
- 3.13 *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation*
- 3.13.1 Robust internal and external communications are important to the Council. There is a communications strategy covering 2008-2014 which sets out how it will prioritise and manage projects that have cross-Council significance. This is based on improved audience understanding and research.
- 3.13.2 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 Lambeth Life which is delivered to all households and businesses, a proactive media relations programme, an A-Z of services delivered to every household, stakeholder relations, the intranet, direct mail and advertising to support department awareness drives and other specific campaigns. The Council's website is continually expanding both in its content and its functionality. The use of electronic and digital communication channels is now being introduced by the Council, including the use of text messaging and web casting.
- 3.13.3 The development of communications ability is reflected in the work on online print. This works with the photo library to provide a web-based system for producing materials in a cost-effective and on-brand manner.
- 3.13.4 A Freedom of Information board monitors the high volume of Freedom of Information (Fol) requests to ensure consistency and swift responses.
- 3.13.5 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 Strategic Leadership Board, 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.
- 3.14 *Incorporating good governance arrangements in respect of partnerships and other groups as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Council's overall governance arrangements*
- 3.14.1 The Council shares a vision with its partners for the borough, documented in the 2008-2020 Sustainable Community Strategy. 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.

3.14.2 Lambeth First keeps its governance documents under annual review. A major refresh in 2009 led to the adoption of a new set of governance arrangements in November 2009.

3.14.3 Governance has been further strengthened during the year by holding an away day which alongside consideration of strategic issues gave Board members the opportunity to build their team working and reassert their values. As part of the preparation for the event we held a partnership “health check” exercise and will repeat this annually as part of the review of the governing documents.

3.14.4 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 control. The review of effectiveness is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied by the Council included the re-convening of a cross-Council forum known as the ‘Governance Assurance Group’ (GAG). Similar to last year the GAG drew on the recommended good practice questions from a number of sources (CIPFA, Audit Commission, IPF, SOLACE, and PwC) aligned to the Council’s Assurance Framework. The Local Code of Governance for Lambeth was updated, as appropriate, and a common process was used to capture the information required to inform the Head of Internal Audit Annual Report and AGS. A ‘Service Assurance’ process, which was initiated in the later part of 2009/10 by Internal Audit, was used alongside a self-assessment completed by the responsible Executive Director using structured questionnaires, linked to the evidence, supported by review from internal audit and the oversight of the GAG. The self-assessments from the Service Assurance process were then used as the basis for the departmental self assessments. The compilation process and the draft AGS were supervised by the Finance Strategy Board and considered by the Strategic Leadership Board, the Executive, Corporate (Audit) Committee, the Chief Financial Officer, and Internal Audit.

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

4.3.1 *The assessment of the Council under the Comprehensive Area Assessment by the Audit Commission (including the annual Use of Resources Assessment)*

In recent years, the Council has improved in all aspects of its services to residents, management, finances and governance. During the 2009 self-assessment the Council achieved a level 3 in the Organisational Assessment with a level 2 for Use of Resources and a level 3 for Managing Performance. The Council received four level 3 scores and five level 2 scores across the UOR KLOE and aspired to achieve at least level 3 performance across all KLOE in 2010. However, the new government has decided to cease this assessment with effect from 2009/10.

4.3.2 *The governance structures and processes*

1) The Council regularly reviews and matches its governance structures and processes to Council-wide priorities, to ensure the principles of good governance are applied throughout the Council. The changes agreed in 2009 to the Governance Arrangements within the Council have been implemented. The Constitution was revised during the year to reflect new statutory requirements and existing governance arrangements were updated, such as Standing Orders. The main changes relate to expansion of the scrutiny function, and the requirement to adopt a new form of executive.

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 People’s Service
- Director of Adult Social Services – Executive Director, Adults’ and Community Services

An additional statutory post (Head of Scrutiny) has been introduced by the Local Democracy, Economic Development and Construction Act 2009.

- 3) The Council's constitution remains robust and compliant, and plans are in place to ensure this remains the case. There are regular Constitutional Working Group meetings throughout the year which are chaired by the Director of Legal and Democratic Services. These meetings ensure that the constitution is regularly reviewed with the Chief Whip and officers from within Legal and Democratic Services so that the Council can have confidence that the Constitution remains robust, up to date, and is compliant with all relevant statutory instruments. The Local Code of Practice of Corporate Governance has also been reviewed and updated as part of the preparation of the Annual Governance Statement for 2009/10. Papers for all Council and Committee meetings are in the public domain and are freely available on the Council's web site. Furthermore, a public database of all proposed officer decisions involving expenditure over £100k is maintained (proposed decisions are published with five clear days notice, and also when the decision is taken). All members of the Council are automatically notified when these proposed decisions are logged.
- 4) The scrutiny function is operating well. The Overview and Scrutiny Committee and its five sub-committees met six times, there were no call-ins and one Councillor Call for Action (CCfA) was received (the issue was resolved without requiring a CCfA meeting). Six ad-hoc commissions were established or reported to Cabinet and the parent committees maintained oversight of the implementation of previous commissions' recommendations. The Environment and Community Safety Scrutiny Sub-Committee was the Council's designated crime and disorder committee (Police and Justice Act 2006) and the Health and Adult Services Scrutiny Sub-Committee discharged health scrutiny functions. The 2008/09 Scrutiny Annual Report was considered by Council in May 2009.
- 5) Overview and Scrutiny monitored the achievement of local improvement targets and the development of the function. The Scrutiny Progress (scrutiny chairs) and Management (chairs and cabinet members) Groups met to discuss the development of the function and encourage closer working. A publicity campaign sought public suggestions for 2009/10 work programmes and public notice questions continued to be considered at committee. A budget scrutiny report template ensured consistent and transparent scrutiny of the 2010/11 budget proposals.
- 6) The External Scrutiny Protocol was revised to ensure that it was aligned with the latest legislative provisions for adoption by Full Council and the Lambeth First (LSP) Board in 2010.
- 7) The Corporate (Audit) Committee's annual report was produced in June 2010 and circulated to all members who will have the opportunity to raise questions at full Council. The role played by the Audit Committee is an important part of the overall assessment of the effectiveness of Internal Audit, discussed below. The Audit Committee has 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.
- 8) Performance is reported regularly and clearly to Members and Senior Management, as follows:
 - Monthly performance digest presented to Departmental Leadership Teams
 - Performance indicators presented to Strategic Leadership Board and Cabinet on quarterly basis
 - Scrutiny committees see performance information

4.3.3 Regular reviews of ethical standards policies and procedures

- 1) Members and officers remain bound by and sign up to their respective codes of conduct, as set out in the staff code of conduct and the model code of conduct for members. During the year, we have strengthened and clarified governance arrangements in the areas of conflicts of interests; member consultation; consultation with community groups; scrutiny; community safety; and responsible procurement. Skilled, proficient elected members lead the design, development and delivery of services and engender public confidence. The Standards Committee receives cyclical reports on complaints about member conduct, and whistleblowing allegations.
- 2) The Council has continued to offer ethics training to members and to maintain registers of gifts and hospitality, which are regularly reviewed by the Council's monitoring officer and the chief internal auditor. Take-up of ethics training has been good. Follow-up one-to-one training has been provided for members who were unable to attend.
- 3) 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.

- 4) The annual counterfraud survey showed that 72% of the respondents did not receive fraud awareness training. In response, the Council has implemented an easily accessible and cost effective e-learning package which should result in a drastic change in responses when it comes to the 2010 survey
- 5) 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 Whistleblowing Policy and is also responsible for the local assessment and determination of complaints about Member conduct. The Committee submits an annual report to full Council on member conduct and complaints made against members.
- 6) 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 reviews the maintenance of the registers annually.
- 7) The annual counter-fraud survey showed that almost 80% of the 660 respondents were aware of Lambeth's whistleblowing policy and the protection given to whistleblowers by the Public Interest Disclosure Act 1998 if they make a disclosure concerning fraud and corruption, an increase of 6.37% from 2008.

4.3.4 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 a proven risk management system to record risks on a central register. The Council manages and monitors both risks that are threats and opportunities. Internal Audit reviews the quality of operational risk registers at business unit level as part of its annual work plan and management can use the information to update the risk profile for their areas of responsibility.
- 2) Governance arrangements have been strengthened in 2009/10 through the annual refresh of the Risk Management Strategy. The strategy was updated to reflect the ongoing improvements in risk management and to provide greater transparency to residents.
- 3) The Council has also developed the Risk Management Policy Statement which is a statement of intent signed by the Chief Executive and the Leader of the Council setting out firm commitment to risk management in Lambeth. This document provides reassurance to residents that the Council effectively manages risks and has an appetite to take risks in pursuit of community priorities.

4.3.5 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”.

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

- 1) Based on the work undertaken by the Internal Audit and Anti-fraud functions and reported upon during the year, the opinion of the Chief Internal Auditor is that, in general, the systems of Internal Control continue to be adequate for preventing significant risks of a strategic and operational nature materialising. As in 2008/09 areas of good practice were noted throughout the Council, including the way it is managing its arrangements for achieving value for money and in the control environment of some of its key financial systems, for example, Payroll, Council Tax, NNDR and Pensions. We have identified this year significant weaknesses in the cessation of leavers, strategic and operational asset management and arrangements for the Council’s interactions with its ALMO.
- 2) The assurance levels assigned to the systems reviewed showed that the level of negative audit assurance at 30 per cent has decreased by 10 per cent. Further, 60 per cent are ‘adequately controlled’ and only 12 per cent achieved ‘full assurance’ (well controlled). This is still too low a percentage for a Council that is working towards excellence.
- 3) Generally the Council’s risk registers can be relied on to determine internal audit planning and help scope the micro-level audits. However, audit risks identified during our audits should be appropriately managed by Heads of Service.
- 4) The comprehensive and integrated counter-fraud strategy being applied continues to deliver work streams with a proactive focus on reducing losses and combating fraud. The annual counter fraud survey showed that staff members are more aware of the governance arrangements and personal duties to combat fraud than they were 12 months ago (up 18% to 96%). Reactive investigations continue to achieve successful outcomes with £8.4m in savings and recovered assets together with 161 successful prosecutions compared to £6.6m and 210 last year.

4.3.7 Development of performance management

- 1) The Council’s strategic approach to data quality is set out in the Performance and Quality Management Framework (PQMF). Data quality must comply with the laid down corporate data quality standards and a range of processes are in place to ensure this happens.
- 2) Performance reports highlight data quality issues and actions taken to address these. Monitoring of performance targets and indicators is carried out as part of the monthly departmental performance management process, that is, they are reviewed by Department Leadership Teams.
- 3) Local data quality audits are carried out twice a year on a sample of performance indicators based on a risk assessment and when the indicator was last audited. This complements the external data quality audit completed during Use of Resources. Recommendations from audits are included in a data quality action log which becomes part of the internal audit tracker and is reviewed quarterly by the Finance Strategy Board. For each national and corporately reported performance indicator, lead officers complete a system form and analytical review forms, both of which cover partnership accountabilities. System forms set out how data is collected, stored, reported and backed up. Analytical review forms are completed at the year end to confirm the final outturn, explain how it was calculated and analyse any significant variance against the previous year or target. 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.

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

- 1) A service assurance process was introduced in 2009/10 to support the completion of the Annual Governance Statement. As part of the process, Internal Audit matched each department's statement to its audit findings, as appropriate. No areas were identified as poor, with two being identified as being "Of concern", namely, the completion of Gateway 4 contract performance reviews (ACS) and budget management and forecasting (HRE). In addition, three common themes for improvement emerged from the process, namely;
 - the completion of Gateway 4 contract performance reviews
 - adherence to certain corporate policies and performance targets such as sickness absence levels and use of agency staff
 - the maintenance of Business Unit asset registers

4.3.9 Consideration of complaints made under the formal complaints procedure.

- 1) Following a review of Complaints and Member's Enquiries last year, a number of initiatives were introduced to improve the way that the Council handles and uses complaints and enquiries in 2009/10.
- 2) The Council continues to use complaints information effectively to improve its services, for example, in the case of the street care services. The use of complaints as a learning opportunity to inform service delivery improvement and manage risk has progressed in 2009/10. The Corporate Complaints Digest, a summary of complaints received by department, highlighting trends and lessons learnt, is considered by the Strategic Leadership Board on a quarterly basis. The Corporate Committee is kept informed on complaints-related improvements through presentation of an annual report.
- 3) Since 2006/07 the number of complaints has dropped by 25.7% from 6,624 to 4,920 (2009/10). There has also been a significant reduction in the number of Ombudsman enquiries received.

4.3.10 Value for Money (VfM)

- 1) 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. A total of £7.7 million in efficiency savings has been forecast in 2009/10, contributing to a cumulative total of £25.4 million. This places Lambeth as the 4th highest within London. The Council has continued to make its operations more efficient through a combination of outsourcing; bringing services back in-house where appropriate; better procurement; service modifications; and business process re-engineering. This flexibility in the approach to different methods of service delivery has provided real benefits to the Council in achieving its efficiency targets. The efficiency savings target is 10.3% of 2007/08 baseline expenditure over the three years 2008/09 to 2010/11. The £7.7 million forecast in 2009/10 can be broken down by category: Business Process Improvement - £2.9 million; and Better Procurement - £4.8 million.
- 2) 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. With regard to the BSF, the council is getting close to the end of the first phase of BSF works with just one (of five) schools left to complete. The second phase was due to comprise 12 schools, of which the go-ahead has been received for three. The other projects are stopped and subject to the autumn spending review.
- 3) The Council continues to manage its assets to secure value for money for its residents. Key examples are through –
 - the BSF programme which provides more opportunities for children and young people;
 - using an effective disposals policy to bring more homes up to the decent homes standard;
 - the development of the currently derelict Grade II listed Raleigh Hall for the relocation of the Black Cultural Archives using a £4 million grant secured from the Heritage Lottery Fund.
- 4) Over the last year, the Council has continued to investigate and secure collaborative procurement arrangements across London. Key examples are its e-tendering project including e-auction functionality; the introduction of a new online benefits system in February 2010; the letting of the Matrix contract for agency staff has led to a reduction in transaction costs; e-auctions include the provision of mobile phones, IT hardware, and the gas and energy portfolios. Letting these contracts has delivered both cashable and non-cashable savings. The use of collaborative procurement has facilitated considerable savings on insurance premiums.

4.3.11 Emergency planning

- 1) The Council is fully prepared for emergencies, ensuring that its critical services can be maintained across the Council when faced with a major disruption such as pandemic flu and adverse weather. Business continuity is effectively managed through proven preparation for disaster recovery with key arrangements in place and Council wide awareness. All Council departments have up to date, signed, business continuity plans. Measures taken to facilitate business continuity include: introducing home working provision for customer services staff, creating super teams for frontline social and health care provision, a shared services protocol to ensure services delivered to vulnerable residents continue in the event that staff attendance is substantially reduced. The recovery of ICT applications is prioritised to ensure critical services are supported should there be a major disruption. All critical Council services have effective business continuity arrangements in place for key suppliers and partners.
- 2) Internal Audit reviewed the Business Continuity Arrangements for a sample of critical services and confirmed that documented Business Continuity Plans were in place for these services and had been amended to reflect lessons learnt from incidents such as the snow in February 2009. Recommendations were made regarding the review, testing and communication to staff of business continuity plans.

4.3.12. Data security controls

- 1) Lambeth Council has continued to strengthen arrangements on data security in the last year and has introduced a number of measures and initiatives to achieve this. It successfully gained Government Connect accreditation in 2009/10, validating that the Council's arrangements for managing and sharing data are as robust as possible. As part of achieving this standard all Council employees and members with access to the Council's network received mandatory e-learning training. Supporting this training are the Council's information security and ICT policies and procedures. During the year these policies have been refreshed and developed in line with the guiding principles set out in Information Security Standards (including ISO27001 and the Government Connect Secure Extranet Code of Connection (GCSx)) and are fully compliant with relevant legislation. These policies have been communicated to all staff and are supported by a series of "golden rule" guides; all of which are available on the Council's intranet. Failure to comply with these policies is taken seriously and can result in disciplinary action. Internal arrangements have also been strengthened; particularly in relation to portable media. USB ports have been locked down so that only identifiable users with a clear management approved business justification can download information from the network; data is encrypted prior to downloading and we are now able to effectively monitor when Council data is being extracted on to portable devices.
- 2) Lambeth's robust governance arrangements for data security and effective information risk management have been developed further by the establishment of an Information Governance Working Group to support the Council's Senior Information Risk Owner (SIRO), the Executive Director of Finance and Resources.
- 3) 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.

4.3.13 Outcomes of external reviews.

- 1) A number of external reviews have taken place during the year. 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. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate (Audit) Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. The 2009/10 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
<p><u>Key Financial Systems</u></p> <p>There has been no change in overall assurance levels since 2008/09 with only 29% of these systems achieving a high assurance level (well controlled).</p> <p>Reconciliations and Housing Rents received a 'limited assurance' level. In addition, some prior year recommendations had not been implemented in full.</p> <p>The audit provides assurance to the external auditor that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment</p>	<p>The Chair of the Finance Strategy Board who is also the Section 151 Officer has issued an instruction that these systems be monitored closely and reported upon regularly.</p>	<p>March 2011</p>
<p><u>Asset Management</u></p> <p>The audit review of Asset Management received a 'No Assurance' due to insufficient records and quality checking processes in place to demonstrate that the Council is compliant with health and safety legislation.</p>	<p>An action plan was agreed with management and its implementation will be monitored via the implementation tracker.</p>	<p>March 2011</p>

5.2 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 27 Sept 2010

Signature of Leader of the Council 

Date 23.09.10

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 2009: A Statement of Recommended Practice (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This is to ensure that the Statement of Accounts presents a true and fair view of 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 2010.

Fixed Assets

Council properties are included at current values based on a systematic programme of revaluation.

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 stock in the year it is incurred. Subsequent revaluations will adjust the asset values, reflecting upward/downward movement in the carrying value.

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

Operating Leases

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.

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the Council. Under a finance lease the interest acquired is capitalised and included together with a liability to pay future rentals. Rentals payable are apportioned between a principal charge, which reduces the outstanding obligation, and finance costs, which are charged to revenue as they become payable.

All fixed assets are shown in the Balance Sheet at a 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 requirement 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. Equipment 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 £10,000 is not capitalised and therefore 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 revaluations are carried out on behalf of the Authority by Lambert Smith Hampton – Property Solutions, an 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 IAS 20, 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.

IFRIC 12 Service Concession Arrangements (including PFI and other arrangements)

The International Financial Accounting Standards (IFRS) have introduced a Service Concession Arrangements standard to cover a wider range of contracts used to deliver services on the Council's behalf. The previous arrangements related only to PFI contracts but other service delivery contracts are included. These Service Concession Arrangements are governed by IFRIC 12 (International Financial Reporting Interpretations Committee). The 2009/10 SORP follows the principles within IFRIC 12 closely in relation to IFRS provisions for service concessions and therefore these changes take effect in the 2009/10 financial year.

As with the current requirement the new standard still covers agreements where the responsibility for making available the fixed assets needed to provide the service passes to the contractor. The main difference is the criteria applied to determine whether the assets should be recorded on or off the Council's balance sheet. Regulations have been put in place to mitigate any impact on the Council's bottom line.

It is a markedly different way of assessing the appropriate balance sheet treatment to that applied under the previously applicable United Kingdom GAAP based standards and guidance as it is based on *control of the assets* underlying a service concession rather than *risks and rewards of ownership*.

The Council has therefore adopted the following policy regarding the treatment of these contracts where accounting opinion requires the asset to be recognised on balance sheet.

Prepayments and Reversionary Interest – All prepayments and reversionary interest recognised previously under the SORP must be reversed (derecognised)

Recognising Service Concession on Balance Sheet – The Council (grantor) will record and measure a long-term liability (Finance Lease) along with a matching asset whose fair value is measured at the time when the contract was signed. At the end of the financial year the Council will measure the carrying value of the asset in accordance with FRS15 and subsequently in accordance with IAS16

Payments made to the operator- Unitary Payment (UP) – There will be no change to the payments made to contractor; however, the Council will account for the UP made to the contractor separately into repayments of liability, interest and services.

Revenue expenditure continues to be expensed as it is incurred. Subject to the relevant capitalisation criteria, capital costs incurred will increase the relevant asset class in the balance sheet.

Minimum Revenue Provision (MRP) – The changes to the capital finance system as detailed in the *Statutory Instrument 2010 No 454 (the Local Authorities (Capital Finance and Accounting) (Amended) (England) Regulations 2010 (SI 2010 No 454))* has recommended the inclusion in the annual MRP charge regarding the following: *'Where a PFI contract is brought on to balance sheet having previously been accounted for off-balance sheet, the MRP requirement would be regarded as having been met by the inclusion in the MRP charge of an amount equal to the amount that has been taken to the balance sheet to reduce the liability including the retrospective element in the first year'*.

The Council has adopted this recommendation.

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 earmarked reserve (PFI smoothing reserve) to be carried forward to fund future contract obligations.

Accounting for the smoothing reserve has not changed under the Code. There is no requirement to build up a smoothing reserve for the new service concession arrangements that have been bought onto balance sheet.

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

Retirement Benefits

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

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

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

The two Local Government Pension Schemes are accounted for as defined benefits schemes. The liabilities attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (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 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. In establishing a provision for bad debts the Council identifies the proportion of its debtors that should have their carrying value adjusted to the probable recoverable amount of zero.

All debts are reviewed and a judgment made on the probability of collection for each. As most categories of debt are not subject to substantial fluctuation past collection experience has been used to judge the percentages of each type of debt that will not eventually be recovered. This exercise has been undertaken as at 31 March 2010 in order to establish an appropriate level of provision.

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 six Foundation schools with an estimated fixed asset valuation of £25m as at 31 March 2010.

INCOME AND EXPENDITURE ACCOUNT

	2008/09		2009/10	
	Net spending £'000	Note	Gross spending £'000	Income £'000
				Net spending £'000
Central services to the public	14,663		116,719	(111,968)
Cultural, environmental and planning services	60,827		77,409	(12,553)
Education and children's services	93,306		401,269	(282,224)
Highways and transport services	1,515		53,755	(39,668)
Local authority housing (HRA)	(16,458)		113,667	(183,485)
Other housing services (non-HRA)	24,991		229,706	(206,353)
Adult social care	98,549		152,084	(59,982)
Corporate and democratic core	(1,438)		22,177	(15,852)
Non-distributed costs	6,514		3,751	0
Exceptional Items – Impairment of property	90,376		0	0
NET COST OF SERVICES	372,845		1,170,537	(912,085)
Gain on the disposal of fixed assets	(4,383)			(11,120)
Loss on settlement of borrowings	0			6,636
Other interest payable and similar charges	40,842			40,105
Other income (RTB discounts repaid and sales & leasehold extensions)	(370)			(1,605)
Contribution of housing capital receipts to Government pool	3,772			1,273
Interest and investment income	(15,002)			(4,660)
Pensions interest cost less return on assets	18,230			29,674
Net Operating Expenditure	415,934			318,755
Demand on the Collection Fund	(93,059)			(95,047)
Collection Fund adjustment	5,968			1,334
General government grants	(46,502)	8		(61,923)
Overhanging debt grant	0			(14,468)
Non-domestic rates redistribution	(181,943)			(171,274)
Transfer to/from the Collection Fund in respect of the surplus	(1,681)			(1,500)
Deficit/(surplus) for the Year	98,717			(24,123)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

	2008/09	2009/10
	£'000	£'000
Deficit/(surplus) for the year on the Income and Expenditure Account	98,717	(24,123)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year (See note on page 35)	(112,716)	28,120
(Increase) / decrease in General Fund balance for the year	(13,999)	3,997
General Fund balance brought forward	(33,198)	(47,197)
General Fund balance carried forward	(47,197)	(43,200)
Amount of General Fund balance held by governors under schemes to finance schools	(16,244)	(14,485)
Amount of General Fund balance generally available for new expenditure	(30,953)	(28,715)
	(47,197)	(43,200)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2008/09 £'000	2009/10 £'000
Deficit/(surplus) for the year on the Income and Expenditure Account	98,717	(24,123)
Deficit/(surplus) arising from revaluation of assets	71,423	(68,187)
Actuarial losses on pension fund assets and liabilities	120,488	328,742
Total recognised losses for the year	290,628	236,432

BALANCE SHEET

		31 March 2009		31 March 2010	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible fixed assets	4		6,908		5,539
Tangible fixed assets (net of depreciation)	1, 2, 3				
Operational assets					
Council dwellings		1,635,077		1,741,820	
Other land & buildings		459,255		502,960	
Vehicles, plant furniture & equipment		8,699		18,052	
Infrastructure assets		99,135		109,521	
Community assets		22,153		24,526	
Non-operational assets			2,224,319		2,396,879
Assets under construction		73,674		26,632	
Surplus assets held for disposal		41,824		55,103	
			115,498		81,735
TOTAL FIXED ASSETS			2,346,725		2,484,153
Long-term investments			15,005		10,005
Long-term debtors	17		704		402
TOTAL LONG-TERM ASSETS			2,362,434		2,494,560
CURRENT ASSETS					
Stocks		3		11	
Debtors	16	119,481		108,194	
Investments	14	201,477		67,033	
Cash at bank		33,015		118,688	
			353,976		293,926
TOTAL ASSETS			2,716,410		2,788,486
CURRENT LIABILITIES					
Creditors	19	(138,058)		(131,322)	
Short-term borrowing	14	(13,907)		(21,860)	
Bank overdraft		(29,454)		(49,470)	
			(181,419)		(202,652)
TOTAL ASSETS LESS CURRENT LIABILITIES			2,534,991		2,585,834
LONG-TERM LIABILITIES					
Long-term borrowing	14,15		(691,400)		(626,067)
Provisions	26		(20,725)		(14,282)
FRS17 Pensions liability	27		(411,852)		(745,893)
Government and other capital grants deferred			(82,260)		(128,548)
Capital grants unapplied			(58,860)		(37,582)
TOTAL NET ASSETS			1,269,894		1,033,462
FINANCED BY					
Collection Fund Adjustment Account			(299)		1,035
Capital Adjustment Account	7		(1,353,704)		(1,393,962)
Revaluation Reserve	6		(187,973)		(248,024)
Usable Capital Receipts Reserve	8		(33,390)		(30,970)
Deferred capital receipts	18		(413)		(413)
Major Repairs Reserve			(6,352)		(2,088)
FRS17 Pensions reserve			411,852		745,893
Financial Instruments Adjustment Account	10		2,691		5,303
Fund balances and reserves					
General Fund (exclusive of LMS balances)			(30,953)		(28,715)
LMS balances	22		(16,244)		(14,485)
Collection Fund			0		0
Housing Revenue Account			12,217		(49)
Other Reserves	20		(67,326)		(66,987)
TOTAL CAPITAL AND REVENUE RESERVES			(1,269,894)		(1,033,462)

CASH FLOW STATEMENT

	Note	£'000	2008/09 £'000	£'000	2009/10 £'000
Net cash inflow from revenue activities	1		(53,733)		(84,839)
Returns on investments and servicing of finance					
<i>Cash outflows</i>					
Interest paid		36,987		40,722	
Interest element of finance		3,766		3,848	
PFI Contingent rent		285		285	
<i>Cash inflows</i>					
Interest received		(14,402)		0	
			26,636	(7,898)	36,957
Capital activities					
<i>Cash outflows</i>					
Purchase of fixed assets		131,539		111,987	
Other capital cash payments		30,695		11,151	
Pool		6,687		1,130	
<i>Cash inflows</i>					
Sale of fixed assets		(8,553)		0	
Capital grants received	5	(58,305)		(19,910)	
Other capital cash receipts		(370)		(1,860)	
s106 Developers' contributions		(5,332)		(5,083)	
			96,361		65,106
Net cash outflow / (inflow) before financing			69,264		17,224
Management of liquid resources					
Increase/(decrease) in short-term deposits		(81,538)		(135,645)	
Increase/(decrease) in other liquid resources		(2,927)		5,722	
Financing					
<i>Cash outflows</i>					
Repayments of amounts borrowed		10,419		44,000	
Repayment of PFI long-term borrowing		2,858		3,042	
Net cash outflow / (inflow) from financing			(71,188)		(82,881)
(INCREASE)/DECREASE IN CASH	4		(1,924)		(65,657)

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

	2008/09 £000	2009/10 £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	1,785	(2,612)
Depreciation charged to General Fund services	(22,687)	(15,109)
Impairment	(90,376)	(10,583)
Depreciation charged to HRA services	(20,078)	(20,430)
Major Repairs Allowance element of Housing Subsidy	22,775	40,941
Government Grants Deferred amortisation	531	4,057
Overhanging debt grant	0	11,791
Disposal costs funded from capital receipts	(81)	0
Write-downs of REFFCUS to be financed from capital resources	(5,984)	(7,062)
Other Income (RTB discounts repaid and sales & leasehold extensions)	370	1,605
Net (loss)/gain on sale of fixed assets	4,383	11,120
Collection Fund Restatement	(5,968)	(1,334)
Net charges made for retirement benefits in accordance with FRS 17	<u>(41,011)</u>	<u>(43,222)</u>
	(156,341)	(30,838)
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	11,676	12,890
Transfer of Adj A to General Fund	(23,250)	0
Commutation adjustment	(3,499)	(3,036)
Capital expenditure charged in year to the General Fund Balance	387	742
Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(3,772)	(1,273)
Employer's contributions payable to the Lambeth Pension Fund and LPFA and retirement benefits payable direct to pensioners	<u>37,763</u>	<u>37,708</u>
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	19,305	47,031
Housing Revenue Account balance	(11,583)	12,266
Net transfer to/(from) earmarked reserves	<u>35,903</u>	<u>(339)</u>
	24,320	11,927
Net additional amount required to be credited to the General Fund balance for the year	<u>(112,716)</u>	<u>28,120</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. IFRIC 12 Service Concession Agreements (including PFI Contracts)

The implementation of IFRS has resulted in 5 contracts being brought on to the Balance Sheet.

The expenditure in respect of three PFI contracts was previously disclosed in note 1 to the Income and Expenditure Account. Two further contracts are now included in the notes to comply with the disclosure requirements for IFRIC 12.

The two new contracts include the Home to School Contract managed within the CYPS department and the Waste Management Contract managed within the HRE department. Both contracts are held by Veolia (UK) Ltd.

The **Home to School** contract provides transport services for children and young people with special needs being educated in the borough. The contract commenced on 1 August 2007 for an initial term of five years. The Council made payments of £2.4m in 2009/10 and commitments for 2010/11 total approximately £2.5m.

The **Waste Management** contract provides services including street cleansing, waste collection and disposal, and a recycling service. The contract commenced on 1 April 2007 for an initial term of seven years at an estimated cost of £16m pa plus inflation, variation and performance changes.

In November 2007 a large portion of the current operations depot was closed to make way for the building of the Evelyn Grace Academy and Veolia services were relocated to operate out of four depots. Veolia have taken responsibility for the four sites leading to increased costs of approximately £1.5m per annum. Other factors that have affected the contract spend are the RPIX rate applied to the contract value. The increase was 3.5% in 2008/09, 2.2% in 2009/10 and is expected to be 4.8% in 2010/11 compared to the 2.5% increase estimated at the start of the contract.

The Council made payments of £19.4m in 2009/10 with similar commitments for 2010/11.

The **Lilian Baylis** contract became operational in January 2005 and the Council made payments to Focus Education Ltd of £2.4m in 2009/10. In 2010/11 the commitment is approximately £2.5m, the actual sum being subject to performance levels. The contract is for 25 years, and annual payments will increase by inflation.

In 2009/10 the Council paid £2.1m and is committed to paying an estimated of £2.2m for 2010/11 under the contract with Research Machines Plc for the provision of **ICT managed services** in ten of the Council's schools. The actual level of payments will be subject to indexation and RM Plc's performance.

The Council is committed to make payments to **Lambeth Lighting Services Ltd**, the street lighting 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. For 2009/10 these payments amounted to £2.7m with a similar level of expenditure expected in 2010/11.

The **Streatham Customer Centre** opened at Gracefield Gardens in January 2008. Although a PFI contract, there is no requirement to recognise it on the balance sheet. 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 charge for 2009/10 is £439k. The cost for 2010/11 is expected to be at the same level 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.

	2008/09	2009/10
	£'000	£'000
Income	(574)	(408)
Expenditure	536	302
Surplus	(38)	(106)

3. Council's Publicity Expenditure

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

	2008/09 £'000	2009/10 £'000
Recruitment advertising	677	529
Other advertising	156	178
Promotions and other publicity	431	711
	1,264	1,418

In addition, the Council produces a twice-monthly borough newspaper called "Lambeth Life" which had a net cost of £190k in 2009/10.

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 2009/10	Chargeable	Non-Chargeable	Total Building Control
	£'000	£'000	£'000
Expenditure			
Employee expenses	675	169	844
Premises	0	0	0
Transport	7	2	9
Supplies and services	39	10	49
Third-Party Payments	12	3	15
Central & support charges	136	35	171
	869	219	1,088
Income			
Building Regulation charges	(938)	0	(938)
Miscellaneous income	(32)	0	(32)
	(970)	0	(970)
(Surplus)/Deficit for the year	(101)	219	118

Building Regulations Charging Account 2008/09	Chargeable	Non-Chargeable	Total Building Control
	£'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

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.

	2008/09	2009/10
	£'000	£'000
Charges receivable	7,515	7,650
Amount paid to Thames Water	6,063	6,242
Collection cost	1,452	1,408

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 2009/10 are shown below, and include four types of services namely Older Persons, Physical Disabilities, Learning Disabilities and Mental Health. The movement from 2008/09 levels is due to reduced numbers of clients identified as entitled to Free Nursing Care and corresponding charges to the PCTs.

	2008/09	2009/10
	£'000	£'000
Nursing Care cost	1,422	1,374
PCT Contribution	1,422	1,374

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 2009/10 £284k of income was raised on behalf of WQBA, of which £20k was reimbursed to meet the costs of collection by Capita (£280k in 2008/09, and £20k). 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 £1.6m in 2009/10 (£1.638m in 2008/09) and the related expenditure was £3.985m in 2009/10 (£3.969m in 2008/09).

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.

	2008/09	2009/10
	£'000	£'000
Income		
From LB Lambeth	22,916	21,956
From Lambeth PCT	10,291	13,083
	33,207	35,039
Expenditure	33,207	35,039

8. General Government Grants

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

	2008/09	2009/10
	£'000	£'000
Revenue Support Grant	25,328	39,533
Area Based Grant	20,184	22,002
LABGI	987	388
Compensation for late payment from CLG	3	0
	46,502	61,923

9. Members' Allowances

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

	2008/09 £'000	2009/10 £'000
Basic allowance	658	670
Special responsibility allowance	487	494
Travel Allowance*	1	1
Telephone Allowance	16	16
	<u>1,162</u>	<u>1,181</u>

The total of £501.94 comprises travel allowance of £141.20 and subsistence allowance of £360.74 (£763.96 in 2008/09).

10. Senior Officers' Remuneration

Disclosure of remuneration for Senior Officers - salary is £150,000 or more per year

Post Title	Name	Salary, Fees & Allowances	Expense Allowances	Total Remuneration excluding employers' pension contributions	Employers' pension contributions	Total Remuneration including employers' pension contributions
		2009/10 £	2009/10 £	2009/10 £	2009/10 £	2009/10 £
Chief Executive	Derrick Anderson ¹	233,316	2,334	235,650	34,186	269,836
Executive Director - Finance & Resources	Mike Suarez	152,190	2,334	154,524	22,068	176,592
Executive Director - Children & Young People's Service	Phyllis Dunipace	152,190	2,334	154,524	22,068	176,592
Executive Director - Adult & Community Services	Jo Cleary	152,190	2,334	154,524	22,068	176,592
Executive Director - Housing, Regeneration & Environment	Chris Lee ²	47,280	703	47,983	6,644	54,627
Headteacher - Rosendale Primary School	Wendy Jacobs	148,504	0	148,504	20,939	169,443
Headteacher - Lansdowne Special School	Ginni Bealing	138,006	0	138,006	15,322	153,328
Executive Headteacher - Federation of Kingswood & Elmwood Primary Schools & Children's Centres	Craig Tunstall	137,881	0	137,881	13,954	151,835
Headteacher & Executive Director of the Stockwell & Jessop Primary Schools Federation	Janet Mulholland	137,841	0	137,841	19,436	157,277
		1,299,398	10,039	1,309,437	176,685	1,486,122

1: Derrick Anderson's Salary, Fees & Allowances amount includes backpay in respect of 2008/09 (£15,824) and compensation for withdrawal of Performance Related Pay (£3,862)

2: Chris Lee resigned as Executive Director - Housing, Regeneration & Environment on 19 July 2009, his annualised salary was £152,190. He was replaced by an interim employee.

Post Title	Name	Salary, Fees & Allowances	Expense Allowances	Total Remuneration excluding employers' pension contributions	Employers' pension contributions	Total Remuneration including employers' pension contributions
		2008/09	2008/09	2008/09	2008/09	2008/09
		£	£	£	£	£
Chief Executive	Derrick Anderson ¹	208,970	2,334	211,304	30,855	242,159
Executive Director - Finance & Resources	Mike Suarez	154,890	2,334	157,224	22,459	179,683
Executive Director - Children & Young People's Service	Phyllis Dunipace	154,890	2,334	157,224	22,459	179,683
Executive Director - Adult & Community Services	Jo Cleary	154,890	2,334	157,224	22,459	179,683
Executive Director - Housing, Regeneration & Environment	Chris Lee ²	154,890	2,334	157,224	22,459	179,683
Headteacher - Rosendale Primary School	Wendy Jacobs	138,466	0	138,466	19,524	157,990
Headteacher - Lansdowne Special School	Ginni Bealing	206,127	0	206,127	14,964	221,091
Executive Headteacher - Federation of Kingswood & Elmwood Primary Schools & Children's Centres	Craig Tunstall	121,098	0	121,098	16,087	137,185
Headteacher & Executive Director of the Stockwell & Jessop Primary Schools Federation	Janet Mulholland	136,456	0	136,456	17,830	154,286
		1,430,677	11,670	1,442,347	189,096	1,631,443

11. Remuneration Details

The numbers of employees whose remuneration, excluding pension contributions, was £50,000 or more shown in bands of £5,000:

Remuneration band	Number of employees	
	2008/09	2009/10
£50,000-£54,999	148	206
£55,000-£59,999	71	82
£60,000-£64,999	49	56
£65,000-£69,999	26	35
£70,000-£74,999	28	28
£75,000-£79,999	18	27
£80,000-£84,999	11	18
£85,000-£89,999	13	11
£90,000-£94,999	15	10
£95,000-£99,999	8	8
£100,000-£104,999	3	8
£105,000-£109,999	2	0
£110,000-£114,999	0	6
£115,000-£119,999	1	1
£120,000-£124,999	2	1

Remuneration band	Number of employees	
	2008/09	2009/10
£125,000-£129,999	0	0
£130,000-£134,999	0	0
£135,000-£139,999	2	3
£140,000-£144,999	0	0
£145,000-£149,999	0	1
£150,000-£154,999	0	3
£155,000-£159,999	4	0
£160,000-£164,999	0	0
£165,000-£169,999	0	0
£170,000-£174,999	0	0
£175,000-£179,999	0	0
£180,000-£184,999	0	0
£185,000-£189,999	0	0
£190,000-£194,999	0	0
£195,000-£199,999	0	0
£200,000-£204,999	0	0
£205,000-£209,999	1	0
£210,000-£214,999	1	0
£215,000-£219,999	0	0
£220,000-£224,999	0	0
£225,000-£229,999	0	0
£230,000-£234,999	0	0
£235,000-£239,999	0	1

Comparative information has been restated to include certain schools employees which had been excluded from the analysis provided in the 2008/9 Statement of Accounts.

12. 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 notes 5 and 6 relating to the Cash Flow Statement.

Members of the Council have direct control over the Council's financial and operating policies. During 2009/10 grants to the value of £10,196,151 were paid to organisations in which 18 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 2009/10 the Executive Director of Finance and Resources declared his relationship with London Authorities' Mutual Ltd as unremunerated Director. Transactions with this company amounted to £468,712 (£1,540,420 in 2008/09). In addition the Council paid £9,267,651 (£12,738,000 in 2008/9) to Western Riverside Waste Authority in respect of waste disposal charges. The Waste Authority is under the common control of central government.

The Council paid £24,972,347 (£20,175,000 in 2008/9) 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 16 to the Balance Sheet.

United Residents Housing Limited is another subsidiary of the Council and was paid £683,827 in respect of management fees.

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. The Council charged the fund £791,000 for expenses incurred in administering the fund. The breakdown of these charges is as follows:

	2008/09	2009/10 £'000
Pensions Administration	557	509
Pension Fund Administration	226	186
Central Overhead Recharges (BVACOP)	153	96
Total charge to the Pension Fund	936	791

13. Audit Fees

For the financial year 2009/10, the planned audit fee payable to Deloitte LLP with respect to the statutory audit was **£0.527m** (£0.535m in 2008/09). Two further elements are payable to Deloitte LLP relating to the Certification of Grants Claims and Returns and the audit of the Local Government Pension Scheme, estimated at £0.15m and £0.039m respectively (£0.15m and £0.038m in 2008/09). An additional amount of £0.179m was paid for work on the Myatts Fields PFI (£0.177m in 2008/09).

Fees payable to the Audit Commission in 2009/10 with respect to the "Managing Performance Theme of Organisation Assessment" element of the CAA was **£0.02m**.

14. Parking Places Revenue Account

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

	2008/09 £'000	2009/10 £'000
Income	(19,603)	(18,026)
Expenditure	11,172	16,290
(Surplus)	(8,431)	(1,736)
Additional Expenditure		
Concessionary Fares	2,500	2,500
Road Safety	307	224
Other Highways Expenditure	3,863	4,424
Structural Maintenance inc. Footways & Carriageways	1,616	1,150
Transport Planning	395	296
Aids to Movement, Furniture & Fittings	114	135
Lighting excl. PFI and energy costs	0	0
Repairs & Maintenance	0	160
Other Contributions to Transport Related Works	3,848	3,827
Deficit for year	4,212	10,980

15. Restatement of Prior-Year Amounts

This represents the changes in the I & E and statement of movement on general fund balance resulting from the implementation of IFRIC 12 and changes in accounting policy for local taxes.

PFI Restatement Income and Expenditure Account	2008/09 Original £'000	Local taxes Adjustment £'000	IFRIC 12 Adjustment £'000	2008/09 Adjusted £'000
Net Cost Of Services	376,903	0	(4,058)	372,845
Other Operating Expenditure	39,038	0	4,051	43,089
Local taxes and general grants	(323,185)	5,968		(317,217)
Net additional amount required by statute	(106,755)	(5,968)	7	(112,716)
Increase in General Fund balance	(13,999)	0	0	(13,999)

16. 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 for 2008/09 were recorded as an exceptional item. For 2009/10 the impairment charge has been included in the Net Cost of the relevant service whereas in 2008/09 the charge was shown on a separate line within Net Cost of Services. The following table shows the impairment costs for both years for comparison.

	2008/09 £'000	2009/10 £'000
Cultural, environmental and planning services	10,400	128
Education and children's services	8,562	19,457
Highways and transport services	1,217	0
Local authority housing (HRA)	60,258	(14,760)
Other housing services (non-HRA)	2,302	687
Adult social care	0	1,911
Corporate and democratic core	7,637	3,160
Deficit for year	90,376	10,583

NOTES TO THE BALANCE SHEET

1. Tangible Assets

Note	Operational					Total operational assets £'000	
	Council dwellings £'000	Other land & buildings £'000	Vehicles, plant & equipment £'000	Infra-structure £'000	Community assets £'000		
	Opening Gross Book Value - 1 April 2009	1,653,600	461,264	17,984	100,490	23,173	2,256,511
30	De-recognition of PFI residual asset	0	(2,463)	(2,996)	0	0	(5,459)
30	Recognition of Service Concession Arrangements IFRIC12	0	15,900	9,728	14,161	0	39,789
	Restated Opening Gross Book Value - 1 April 2009	1,653,600	474,701	24,716	114,651	23,173	2,290,841
	<i>Movement in 2009-10</i>						
	Reclassifications	107	38,960	3,005	0	0	42,072
	Additions	58,014	29,192	6,827	12,393	2,765	109,191
	PFI Addition	0	0	1,396	850	0	2,246
	PFI Lifecycle costs	0	0	155	0	0	155
	Certified Revaluations PFI 1 April 2009	0	500	0	0	0	500
	Certified Revaluations 1 April 2009	88,997	(9,244)	0	0	0	79,753
	Impairments	0	(2,605)	0	0	0	(2,605)
13	Impairment of LSVT	(32,805)	(437)	0	0	0	(33,242)
	Disposals	(4,782)	(66)	0	0	0	(4,848)
	Certified Revaluations 31 March 2010	0	(5,113)	0	0	0	(5,113)
	Other	(2,889)	(1,776)	(159)	0	0	(4,824)
	Closing Gross Book Value - 31 Mar 2010	1,760,242	524,112	35,940	127,894	25,938	2,474,126
	Opening Depreciation - 1 April 2009	(18,523)	(15,446)	(12,292)	(14,951)	(1,020)	(62,232)
30	Recognition of Service Concession Arrangements IFRIC12	0	0	(3,725)	(565)	0	(4,290)
	Restated Opening Depreciation - 1 April 2009	(18,523)	(15,446)	(16,017)	(15,516)	(1,020)	(66,522)
	<i>Movement in 2009-10</i>						
	Reclassifications	0	321	0	0	0	321
	Depreciation	(18,857)	(9,043)	(675)	(2,518)	(392)	(31,485)
	PFI Depreciation	0	(380)	(101)	(339)	0	(820)
	Finance Lease Depreciation	0	0	(1,225)	0	0	(1,225)
	Certified Revaluations PFI 1 April 2009	0	380	0	0	0	380
	Certified Revaluations 1 April 2009	18,883	2,503	0	0	0	21,386
	Impairments	0	130	0	0	0	130
13	Impairment of LSVT	346	8	0	0	0	354
	Disposals	53	1	0	0	0	54
	Certified Revaluations 31 March 2010	0	289	0	0	0	289
	Other	(324)	85	130	0	0	(109)
	Closing Depreciation - 31 Mar 2010	(18,422)	(21,152)	(17,888)	(18,373)	(1,412)	(77,247)
	NBV at 31 March 2009	1,635,077	459,255	8,699	99,135	22,153	2,224,319
	NBV at 31 March 2010	1,741,820	502,960	18,052	109,521	24,526	2,396,879
	Nature of asset holding						
	Owned	1,741,820	486,294	11,823	95,415	24,526	2,359,878
	Finance Lease	0	0	4,728	0	0	4,728
	PFI	0	16,666	1,501	14,106	0	32,273
		1,741,820	502,960	18,052	109,521	24,526	2,396,879

Note	Non-Operational				Total Non-Operational Assets	Total Fixed Assets
	Investment Properties	Assets held for sale	Assets Under Construction			
	£'000	£'000	£'000	£'000		
	Opening Gross Book Value - 1 April 2009	0	41,977	73,674	115,651	2,372,162
30	De-recognition of PFI residual asset	0	0	0	0	(5,459)
30	Recognition of Service Concession Arrangements IFRIC12	0	0	0	0	39,789
	Restated Opening Gross Book Value - 1 April 2009	0	41,977	73,674	115,651	2,406,492
	<u>Movement in 2009-10</u>					
	Reclassifications	0	15,673	(57,745)	(42,072)	0
	Additions	0	0	11,234	11,234	120,425
	PFI Addition	0	0	0	0	2,246
	PFI Lifecycle costs	0	0	0	0	155
	Certified Revaluations PFI 1 April 2009	0	0	0	0	500
	Certified Revaluations 1 April 2009	0	2,206	0	2,206	81,959
	Impairments	0	0	0	0	(2,605)
13	Impairment of LSVT	0	0	0	0	(33,242)
	Disposals	0	(3,580)	0	(3,580)	(8,428)
	Certified Revaluations 31 March 2010	0	0	0	0	(5,113)
	Other	0	(705)	(531)	(1,236)	(6,060)
	Closing Gross Book Value - 31 Mar 2010	0	55,571	26,632	82,203	2,556,329
	Opening Depreciation - 1 April 2009	0	(153)	0	(153)	(62,385)
30	Recognition of Service Concession Arrangements IFRIC12	0	0	0	0	(4,290)
	Restated Opening Depreciation - 1 April 2009	0	(153)	0	(153)	(66,675)
	<u>Movement in 2009-10</u>					
	Reclassifications	0	(321)	0	(321)	0
	Depreciation	0	0	0	0	(31,485)
	PFI Depreciation	0	0	0	0	(820)
	Service concession arrangements IFRIC12 depreciation	0	0	0	0	(1,225)
	Certified Revaluations PFI 1 April 2009	0	0	0	0	380
	Certified Revaluations 1 April 2009	0	6	0	6	21,392
	Impairments	0	0	0	0	130
13	Impairment of LSVT	0	0	0	0	354
	Disposals	0	0	0	0	54
	Certified Revaluations 31 March 2010	0	0	0	0	289
	Other	0	0	0	0	(109)
	Closing Depreciation - 31 Mar 2010	0	(468)	0	(468)	(77,715)
	NBV at 31 March 2009	0	41,824	73,674	115,498	2,339,817
	NBV at 31 March 2010	0	55,103	26,632	81,735	2,478,614
	Nature of asset holding					
	Owned	0	55,103	26,632	81,735	2,441,613
	Service concession arrangements IFRIC12	0	0	0	0	4,728
	PFI	0	0	0	0	32,273
		0	55,103	26,632	81,735	2,478,614

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 five-yearly cycle. Assets managed by each of the four holding departments are valued at least once within the five-year period. The last valuation was carried out on 1 April 2009 by Lambert Smith Hampton Chartered Surveyors.

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	Other land & buildings	Vehicles, plant & equipment	Infrastructure	Community assets	Surplus assets	Assets under construction	intangible assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	0	0	18,052	109,521	24,526	0	26,632	5,539	184,270
Valued at current value									
2009/10	1,741,713	162,385	0	0	0	21,307	0	0	1,925,405
2008/09	107	340,575	0	0	0	33,796	0	0	374,478
2007/08	0	0	0	0	0	0	0	0	0
2006/07	0	0	0	0	0	0	0	0	0
2005/06	0	0	0	0	0	0	0	0	0
Total	1,741,820	502,960	18,052	109,521	24,526	55,103	26,632	5,539	2,484,153

The Council is not aware of any material changes in value that have necessitated a valuation of assets outside the normal cycle.

3. Information on tangible fixed assets held

	2009	2010
OPERATIONAL ASSETS		
Council dwellings	26,513	25,945
Other Land & Buildings		
Advert Hoarding	0	1
Aerial Site	10	11
Car Park Spaces	2,256	2,256
Car Parks	10	9
Cemeteries and Crematoria	6	6
Commercial Properties	422	436
Community Centres	65	66
Day Centres	17	16
Depots	8	3
Educational Buildings	2	2
Foundation Schools	4	4
Garages	5,299	5,299
Gas Pressure Reduction Station	0	1
Go Kart Track	1	1
Historical Buildings	1	1
Hostels	33	32
Kitchens	1	1
Land	0	4
Libraries	9	9
Miscellaneous	5	1
Model Railway	0	1
Neighbourhood Management Offices	14	16
Nurseries	40	42
Offices	27	24
Pools	1	1
Primary Schools	38	38
Public Conveniences	19	19
Public Halls	4	4
Secondary Schools	6	7
Secondary Schools PFI	0	1
Skate Park	1	1
Special Schools	5	6
Sports Centres	7	7
Sports Pitches	1	4
Store Sheds	666	666
Sub Station	0	13
Surgeries	9	9
Town Hall	1	1
Youth Centres	13	13
Vehicles, Plant & Equipment		
CCTV	1	2
Other Equipment	60	39
Park Equipment	8	12
Recycling Equipment	3	4
Highway Lighting PFI	0	1
Connected Learning PFI	1	1
Vehicle Fleet	0	2
Community assets		
Adventure Playground	12	17
Artwork	1	1
Parks & Open Spaces	646 acres	646 acres
Infrastructure		
Roads	315.47 km	315.47 km
NON-OPERATIONAL ASSETS		
Assets held for resale	121	104

Comparative information has been restated from the position shown in the 2008/9 Statement of Accounts to correct errors identified during the preparation of the current year information.

4. Intangible Assets

Balances of Intangible Assets are as follows:

	Software £'000	Total £'000
Opening Gross book value – 1 April 2009	30,469	30,469
<i>Movement in 2009/10</i>		
Other	(2,234)	(2,234)
Reclassifications	0	0
Additions	908	908
Amortisation	0	0
Closing Gross Book Value - 31 March 2010	29,143	29,143
Opening Amortisation - 1 April 2009	(23,561)	(23,561)
<i>Movement in 2009/10</i>		
Other	1,965	1,965
Reclassifications	0	0
Additions	0	0
Amortisation	(2,008)	(2,008)
Closing Amortisation - 31 March 2010	(23,604)	(23,604)
Net Book Value 31 March 2009	6,908	6,908
Net Book Value 31 March 2010	5,539	5,539

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

5. Financing of capital expenditure

	2008/09 £'000	2009/10 £'000
Capital investment		
Intangible Assets	3,516	908
Tangible Assets	120,233	120,425
REFFCUS (Deferred Charges)	15,695	11,151
PFI assets on balance sheet	0	38,344
PFI lifecycle costs	0	1,014
	139,444	171,842
Sources of finance		
Government grants	(59,346)	(53,817)
Capital receipts	(23,990)	(22,030)
Section 20 contribution	0	0
Developers' contribution	(475)	(455)
MRR	(47,617)	(45,205)
Direct revenue financing	(200)	(587)
Direct revenue financing PFI	0	(1,014)
PFI & IFRIC 12 Credit arrangements	0	(38,344)
Borrowing	(7,816)	(10,390)
	(139,444)	(171,842)
Opening Capital Financing Requirement	668,054	693,800
Capital Investment	139,444	171,842
Sources of Finance (<i>excludes supported borrowing</i>)	(131,628)	(123,108)
Minimum Revenue Provision (MRP)	(8,818)	(9,848)
Minimum Revenue Provision (MRP) PFI	0	(9,630)
Transfer of Adjustment A to GF	23,250	0
Adjustments	0	(260)
Overhanging debt repayment	0	(11,791)
Commutation adjustment	3,498	3,036
Closing Capital Financing Requirement	693,800	714,041

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.

	2008/09	2009/10
	£'000	£'000
Balance brought forward 1 April	(265,268)	(186,596)
PFI and similar contracts on balance sheet	0	(1,377)
Balance brought forward 1 April	(265,268)	(187,973)
Revaluation gains	(63,807)	(81,892)
Impairments charged to the revaluation reserve	135,230	13,705
Write-out asset on disposal	2,309	3,904
Historic cost depreciation adjustment	4,940	4,232
Balance carried forward at 31 March	(186,596)	(248,024)

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.

	2008/09	2009/10
	£'000	£'000
Capital Adjustment Account opening balance	(1,432,995)	(1,353,469)
PFI and similar contracts on balance sheet	1,080	(236)
Capital Adjustment Account restated opening balance	(1,431,915)	(1,353,705)
Capital Financing:		
Capital Receipts Applied	(23,990)	(22,030)
Minimum Revenue Provision	(8,818)	(12,890)
Section 20 Contribution applied	0	0
Expenditure charged to Major Repairs Reserve	(47,617)	(45,205)
REFFCUS charges written off (net of Government Grants) General Fund	5,251	6,510
REFFCUS charges written off (net of Government Grants) HRA	731	552
Amortisation of Government Grants Deferred - General Fund	(532)	(3,955)
Amortisation of Government Grants Deferred - HRA	0	(102)
Commutation adjustment	3,497	3,036
Direct Revenue Financing	(200)	(742)
Payment of overhanging debt	0	(11,791)
PFI Prepayment	109	0
PFI Residual value	(885)	0
Asset Impairment - General Fund	30,118	25,343
Asset Impairment - Housing Revenue Account	60,258	(14,760)
Asset Depreciation - General Fund	20,425	15,109
Asset Depreciation - Housing Revenue Account	20,078	20,430
Fixed Assets written out	4,170	8,374
Revaluation Reserve depreciation write-down	(4,940)	(4,232)
Revaluation Reserve disposals	(2,309)	(3,904)
Transfer of Adjustment A to General Fund	23,250	0
LSVT Disposal costs	0	0
Mortgage Principal	(150)	0
Balance carried forward 31 March	(1,353,469)	(1,393,962)

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.

	2008/09	2009/10
	£'000	£'000
Balance brought forward 1 April	(52,247)	(33,390)
Capital Receipts	(8,905)	(21,183)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	3,772	1,273
Correction of historic mortgage receipts	0	300
Financing of capital expenditure	23,990	22,030
Balance carried forward 31 March	(33,390)	(30,970)

9. Commitments under Capital Contracts at 31 March 2010

	2009	2010
	£'000	£'000
Housing, Regeneration and Environment	32,671	8,351
Adults' and Community Services	0	861
Children and Young People's Services	40,565	40,892
Finance and Resources and Office of the Chief Executive	505	291
Total	73,741	50,395

10. Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account holds the differences between statutory requirements and proper practices for borrowings and investments.

	2008/09	2009/10
	£'000	£'000
Balance on FIAA brought forward	4,475	2,691
Transfer of premiums and discounts – GF	0	1,531
Transfer of premiums and discounts – HRA	0	2,105
Amortise premiums – GF	(11)	(11)
Amortise premiums – HRA	(1,773)	(1,013)
Balance on FIAA carried forward	2,691	5,303

11. IFRIC 12 – Service Concession Arrangements (including PFI / PPP contracts)

a) See Balance Sheet note 1 for the value of assets held under PFI and similar contracts at each balance sheet date, and an analysis of the movement in those values

b) The value of outstanding liabilities resulting from PFI and similar contracts at each Balance Sheet date and an analysis of the movement in those values

	Lilian Baylis	Lambeth Lighting	Connected Learning	Home to School	Waste Management	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance at 1 April 2008	(13,068)	(8,315)	(1,935)	(902)	(1,818)	(26,038)
Liability in year	0	(5,846)	(76)	(1,573)	(2,565)	(10,060)
Payments (to 31/03/2008)	652	1,120	(179)	650	1,487	3,730
Payments in year	263	789	479	278	1,049	2,858
Closing Liability at 31 March 2009	(12,153)	(12,252)	(1,711)	(1,547)	(1,847)	(29,510)
Opening Balance at 1 April 2009	(12,153)	(12,252)	(1,711)	(1,547)	(1,847)	(29,510)
Liability in year	0	(850)	(1,044)	0	(353)	(2,247)
Payments in year	277	756	347	324	1,338	3,042
Closing Liability at 31 March 2010	(11,876)	(12,346)	(2,408)	(1,223)	(862)	(28,715)

c) Details of payments due to be made under PFI and similar contracts (separated into repayments of liability, interest and service charges).

The disclosure requirements for PFI schemes are open to interpretation. The Council has therefore included the elements as follows:

- Operating Cost and Life Cycle Costs are mapped to Services.
- Finance costs (including lease interest & Finance Cost Contingent Rental) are mapped to Interest
- Long-term liabilities (lease creditor repayment) are mapped to Liability

	Lilian Baylis				Lambeth Lighting			
	2009/10	2009/10	2009/10	Total	2009/10	2009/10	2009/10	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service	
Within 1 year	284	1,443	780	2,507	608	1,022	998	2,628
Within 2-5 years	1,040	5,841	3,786	10,667	2,338	3,635	4,546	10,519
Within 6-10 years	2,027	7,632	5,244	14,903	3,036	3,538	6,595	13,169
Within 11-15 years	3,122	7,462	6,278	16,862	3,249	2,386	7,559	13,194
Within 16-20 years	5,404	7,120	6,554	19,078	2,759	866	9,597	13,222
Within 21-25 years	0	0	0	0	356	36	1,380	1,772
Total	11,877	29,498	22,642	64,017	12,346	11,483	30,675	54,504

	Connected Learning				Home to School			
	2009/10	2009/10	2009/10	Total	2009/10	2009/10	2009/10	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service	
Within 1 year	602	500	1,129	2,231	430	387	1,690	2,507
Within 2-5 years	1,837	650	2,843	5,330	792	331	2,324	3,447
Within 6-10 years	0	0	0	0	0	0	0	0
Within 11-15 years	0	0	0	0	0	0	0	0
Within 16-20 years	0	0	0	0	0	0	0	0
Within 21-25 years	0	0	0	0	0	0	0	0
Total	2,439	1,150	3,972	7,561	1,222	718	4,014	5,954

	Waste Management			
	2009/10	2009/10	2009/10	Total
	£'000	£'000	£'000	£'000
	Liability	Interest	Service	
Within 1 year	1,080	1,048	15,557	17,685
Within 2-5 years	4,062	2,647	49,043	55,752
Within 6-10 years	0	0	0	0
Within 11-15 years	0	0	0	0
Within 16-20 years	0	0	0	0
Within 21-25 years	0	0	0	0
Total	5,142	3,695	64,600	73,437

Prices are based on financial models representing each PFI contract.

12. Leases

a) Disclosure by Lessees

The authority was committed at 31 March 2010 to making payments of £2.823m under operating leases (£2.78m at 31 March 2009), comprising the following:

	Vehicles, Plant & Equipment		Land & Buildings	
	2008/09	2009/10	2008/09	2009/10
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	22	136	288	241
Within two to five years	359	299	149	149
After five years	0	0	1,958	1,998

Vehicles, Plant, and Equipment. The Council holds some office equipment and vehicles under operating leases. Total lease rentals paid during the year amounted to £0.435m (£0.381m in 2008/09).

Land and Buildings. The Council has various assets, principally its main offices, held as operating leases. The rentals payable in 2009/10 were £2.40m (£2.40m in 2008/09).

b) Disclosure by Lessors

The Council acts as lessor on a large portfolio of commercial properties, for which the rentals for 2009/10 amounted to £4.3m (£4.1m in 2008/09). The gross value of these assets on the balance sheet is £84.8m with accumulated depreciation of £2.1m.

13. ALMO – Arm’s Length Management Organisations

United Residents Housing (URH): The Council is the sole member of United Residents Housing Limited (URH), an Arm’s Length Management Organisation, which was incorporated on 31 May 2007. URH is a controlled company of the Council, and is 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 URH in 2009/10 was £683,827. 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 2009/10 was £24.972m. 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 for Lambeth Living shows the value of this guarantee to be no more than £14.4m as at 31 March 2010, having risen from £3.1m as at 31 March 2009. The rise in the net liability is in large part due to changes in actuarial assumptions, and reflects similar movements to those experienced in the Council’s own FRS 17 actuarial report.

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.

14. The Council's Financial Instruments, excluding cash, consist of:

	Long-term		Current	
	31-Mar-09	31-Mar-10	31-Mar-09	31-Mar-10
	£'000	£'000	£'000	£'000
Bank overdraft	0	0	(29,454)	(49,470)
Rents and service charges	0	0	(7,365)	(6,971)
Other payables	0	0	(109,465)	(95,431)
Borrowing – PWLB	(664,894)	(600,356)	(10,865)	(18,856)
Borrowing – IFRIC12	(26,506)	(25,711)	(3,042)	(3,004)
Total Financial Liabilities at Amortised Cost	(691,400)	(626,067)	(160,191)	(173,732)
Rents & Service charges	0	0	16,500	16,939
s20 works	0	0	5,201	7,903
Other receivables	0	0	49,063	34,562
Pension Fund	0	0	23,870	18,959
Long-term Debtors	704	402	16,500	0
Investments	15,005	10,005	201,477	67,033
Total Loans and Receivables	15,709	10,407	312,611	145,396

The comparative information for PWLB debt has been restated to reclassify £10,865,000 from non current to current liabilities following a change in SORP guidance.

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 £67m at 31 March 2010 and £201m at 31 March 2009.

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	Parking Debtors	Total
Balance as at 31 March 2009	8,072	18,252	4,732	1,065	15,433	47,554
Write-offs	(4,155)	(2,631)	(897)	0	(5,078)	(12,761)
Set up	687	1,005	329	334	4,811	7,166
Balance as at 31 March 2010	4,604	16,626	4,164	1,399	15,166	41,959

In impairing the assets above the age of the debts has been taken into account. An ageing analysis is disclosed in note 16 to the Balance Sheet.

The Council 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 16 and 19. These notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

The comparison with fair value where there is a material difference is given overleaf.

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:

- Liabilities arising from service concession arrangements are calculated over the life of the agreement using the implicit interest rate in the lease and are therefore assumed to approximate fair value.
- The fair value of PWLB debt has been calculated by reference to the premature repayment set of rates in force on the day.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value and specifically the fair value of trade and other receivables is taken to be the invoiced or billed amount.

	31-Mar-09		31-Mar-10	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial liabilities – PWLB debt	675,797	849,733	610,428	752,947

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

15. 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 counterparties 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 tables below and overleaf show a summary of institutions with which the Council has deposits and include amounts presented as cash within the balance sheet.

	Amount at 31 March 2010	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2010	Estimated exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and financial institutions:				
Banks	143,114	None	None	None
Building Societies	42,607	None	None	None
Risk from Customers	120,321	34.9	34.9	41,959

	Amount at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2009	Estimated exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and financial institutions:				
Banks	113,483	None	None	None
Building Societies	121,009	None	None	None
Risk from Customers	113,394	23.0	26.3	29,813

There will be times for treasury management reasons when credit limits are exceeded during the reporting period. However, 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. The Authority has had no need to raise funding from PWLB in the last five years. 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 if the Authority chooses to raise funds, not more than 5% of loans are due to mature within any rolling three-year period. This will be achieved through a combination of careful planning of new loans and making early repayments (where it is economic and prudent to do so).

The maturity analysis of PWLB debt is as follows:

	31 March 2009	31 March 2010
	£'000	£'000
Less than one year	10,865	18,856
Between one and two years	8,882	0
Between two and five years	0	0
More than five years	656,050	600,356
	<u>675,797</u>	<u>619,212</u>

The analysis for PFI and service concession debt is given in Note 11 to the Balance Sheet. All other financial liabilities are due in less than one year.

Market risk—Interest rate risk

The Authority is not exposed to significant risk in terms of interest rate movements on its borrowings and investments, which are on fixed terms.

The impact is as follows

- Interest accrued on cash held in call accounts is credited to the Income and Expenditure account in the period.
- Borrowings at fixed rates will generate an impact if early repayment or new borrowings are undertaken.
- The fair value of investments and borrowings which are all at fixed rates will fall and rise respectively if there is a change in interest rates.

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.

Similarly, investments in fixed rate short-term deposits are not carried at fair value and changes in prevailing interest rates will not be reflected in the Income and Expenditure Account or affect the General Fund balance.

The Authority has a number of strategies for managing interest rate risk. The 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.

Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Income and Expenditure Account. Based on the amounts of cash held in such accounts at 31 March 2010, a 1% change in interest rates would change the interest receivable by £0.7 million.

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 and Foreign exchange risk

The Authority does not invest in equity shares and therefore is not exposed to losses arising from movements in the price of shares. It has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

16. Debtors

	31 March 09		31 March 10	
	£'000	£'000	£'000	£'000
Government grants		13,722		2,914
Rents (HRA and non-HRA)	32,356		30,861	
Provision for bad debts	(18,252)		(16,626)	
		14,104		14,235
Right to buy service charges	3,461		4,102	
Provision for bad debts	(1,065)		(1,399)	
		2,396		2,703
Housing Benefit Overpayment	16,857		16,776	
Provision for bad debts	(14,791)		(10,998)	
		2,066		5,778
Council Taxpayers	29,877		32,591	
Provision for bad debts	(26,365)		(28,047)	
		3,512		4,544
Council Tax Court Costs	12,340		7,638	
Provision for bad debts	(7,501)		(6,291)	
		4,839		1,347
Sundry debtors	26,221		28,355	
Provision for bad debts	(4,732)		(4,164)	
		21,489		24,191
Section 20 works	13,273		12,507	
Provision for bad debts	(8,072)		(4,604)	
		5,201		7,903
Parking debtors	21,247		17,833	
Provision for bad debts	(15,433)		(15,166)	
		5,814		2,667
HMRC		6,567		7,265
Central Government Debtor (NNDR)		0		4,191
Payments in advance		7,863		6,707
Amounts due from Lambeth Living		5,396		3,261
Other		2,642		1,529
Pension Fund		23,870		18,959
Business Improvement District		0		0
TOTAL		119,481		108,194

Reconciliation of provision for Bad Debt Account	2008/09	2009/10
	£'000	£'000
Balance brought forward as at 1 April	(87,603)	(107,550)
Write-offs	18,576	18,155
(Set up) / Release	(38,523)	2,100
Balance as at 31 March	(107,550)	(87,295)

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
Less than 1 year	13,625	4,026	16,911	1,303	18,959	54,824
Over 1 year	17,236	8,481	11,974	2,799	0	40,490
Total as at 31 March 2010	30,861	12,507	28,885	4,102	18,959	95,314

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

17. 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 2009 £'000	31 March 2010 £'000
Individuals		
Right to buy	477	170
Other	24	0
Housing Associations	203	232
	<u>704</u>	<u>402</u>

18. Deferred Capital Receipts

These are amounts derived from outstanding receipts where disposals have taken place and deferred payments have been agreed. They consist of the principal outstanding from sale of council houses under the Right-to-Buy scheme. The figures for 2008/09 and 2009/10 were £412,845 and £413,366 respectively.

19. Creditors

	31 March 2009 £'000	31 March 2010 £'000
Government grants	(20,123)	(9,677)
Rents	(6,093)	(5,892)
Right to buy service charges	(1,272)	(1,079)
Central Government Creditor (NNDR)	(826)	0
Amount owed by LBL to preceptor (GLA)	(2,553)	(1,847)
Council Taxpayers	(8,539)	(8,645)
Sundry creditors	(86,417)	(90,674)
Pooled capital receipts due to CLG	(146)	(290)
PAYE/NI	(5,606)	(5,998)
Receipts in advance	(3,061)	(5,577)
Other	(2,925)	(1,363)
	<u>(137,561)</u>	<u>(131,042)</u>
Trust Funds	(497)	(280)
	<u>(138,058)</u>	<u>(131,322)</u>

20. Reserves

	Balance at 31 March 2009 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2010 £'000
Revenue Reserves				
CCTV renewals reserve	(781)	0	0	(781)
BSF	(1,471)	0	1,471	0
Earmarked c/fwds	(7,200)	(1,215)	7,200	(1,215)
Capital Funding Gap	(2,250)	(750)	0	(3,000)
Future Lambeth	(242)	0	242	0
Dilapidations	(3,500)	0	0	(3,500)
Litigation fund	(550)	0	29	(521)
Henry Fawcett Primary School	(500)	(90)	270	(320)
Legislation pressures - frontline services	(2,500)	0	2,458	(42)
Oracle & Financial Systems	(2,325)	(1,000)	0	(3,325)
Pension Fund	(5,000)	0	0	(5,000)
Reorganisation Reserve	0	(5,000)	0	(5,000)
PFI Smoothing Reserve	(2,727)	(40)	480	(2,287)
R & M sinking Fund	(2,000)	0	0	(2,000)
Single Status Reserve	(531)	0	531	0
Civil Emergencies Fund	(1,000)	0	0	(1,000)
Carbon Trading Scheme	(2,000)	0	0	(2,000)
Renewal programme - Roads & Pavements	(2,200)	0	1,500	(700)
Invest to Save Fund	(8,450)	(87)	1,782	(6,755)
Transformation Fund	0	(1,450)	0	(1,450)
Two-year limited revenue	(1,810)	0	905	(905)
One-off capital investment fund	(1,800)	0	0	(1,800)
Concessionary fares - future increases	(1,949)	0	0	(1,949)
Interest receivable smoothing reserve	(1,500)	0	1,500	0
2011 Census	(1,000)	0	0	(1,000)
GCSX hardware	(550)	(200)	750	0
Community Children's Services - rent etc new accommodation	(320)	0	0	(320)
Earmarked Grants Reserve	(10,553)	(16,500)	13,877	(13,176)
Losses on grant claims	(2,025)	0	2,025	0
Insurance Fund	0	(2,713)	0	(2,713)
Insurance Fund - HRA	0	(140)	0	(140)
Sustainability	0	(1,000)	0	(1,000)
Section 117	0	(885)	0	(885)
ACS transformation Fund	0	(2,760)	0	(2,760)
Popes Road Car Park	0	(850)	0	(850)
Other	(592)	(1)	0	(593)
Total revenue reserves	(67,326)	(34,681)	35,020	(66,987)

- The **CCTV renewals reserve** exists to provide for the renewal and replacement of the Council's CCTV equipment.
- The **Building Schools for the Future (BSF)** balance is no longer required.
- **Earmarked carry-forwards** are to finance expenditure that had been committed but not yet incurred as at balance sheet date.
- The **Capital Funding Gap reserve** is set aside to meet potential risks in the Capital Programme.
- The **Future Lambeth reserve** is no longer required.
- 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 & IT 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 **Reorganisation reserve** has been created to meet one-off costs due to the need to review the Council's structure in the light of reducing resources.
- The **PFI Smoothing reserve** operates to even out the flow of income and payments over the life of the Council's PFI contracts.
- The **Repairs & Maintenance sinking fund reserve** has been created to meet administrative building costs not covered in the base budget.

- The **Single Status reserve** has been redesignated as a provision.
- 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 is to meet start-up costs associated with the scheme.
- **Renewal Programme – Roads & Pavements** – resources set aside for a programme to run in 2009/10. Part of the project is yet to be completed due to unavoidable slippage.
- **Invest to Save Fund** – resources set aside for initiatives which will deliver ongoing revenue savings.
- The **Transformation Fund** has been set aside for smaller value feasibility and pump-priming schemes to facilitate the transformation of services
- **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. Slippage has meant the programme has not yet been completed.
- **Concessionary fares – future increases** - this reserve has been created to meet the costs of future price increases.
- The **Interest receivable smoothing reserve** is no longer required.
- **2011 Census** – Resources have been earmarked for the cost of the census.
- The **Government Connects reserve** is no longer required.
- **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.
- **Earmarked grants** – this reserve has been created to provide funds for specific grant-funded projects.
- **Losses on grant claims** – this reserve is no longer required.
- The **Sustainability reserve** has been created to pump prime the implementation of the Sustainability Action Plan.
- **Insurance Fund** – The actuary’s report identified potential liabilities for the authority arising out of their assessment undertaken in September 2009. The reserve has been created to cover uncertainty regarding the final settlement values.
- The **Section 117 reserve** has been set aside for potential claims. In July 2002, the House of Lords upheld the judgment 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. This item was previously held as a provision but, as time passes, it becomes less likely that claims will be forthcoming.
- The **Adult & Community Services Transformation Fund** has been set up to enable the Directorate to undertake transformational activity and manage unbudgeted pressures in 2010/11.
- The **Popes Road Car Park** reserve has been created to meet the cost of demolition in respect of the multi-storey car park.
- **Other reserves** under £500,000 are established for various minor miscellaneous purposes.

21. Funds and Other Reserves

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

	Balance at 31 March 2009 £'000	Receipts & revaluation in year £'000	Payments in year £'000	Balance at 31 March 2010 £'000
Pedlars Acre	677	0	(677)	0
Cynthia Mosley	773	0	(773)	0
Miscellaneous				0
Adults' and Community Services	212	3	0	215
Housing, Regeneration and Environment	49	0	(35)	14
Children and Young People's Services	150	0	(4)	146
	<u>1,861</u>	<u>3</u>	<u>(1,489)</u>	<u>375</u>

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 remaining part of £677k was transferred in the 2009-10 financial year.

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. Trusteeship of the fund transferred to The Walcot and Hayle's Trustee on 15 September 2009.

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.

22. Earmarked LMS Balances are as follows:

	31 March 2009	31 March 2010
	£'000	£'000
Underspent school balances	16,659	16,244
Overspent school balances	(415)	(1,759)
	16,244	14,485

There is a potential outstanding capability case at one of Lambeth's schools. It is currently being dealt with internally but could go to employment tribunal subsequently.

The potential claim against the school is estimated at £0.7m; but, given the uncertainty of whether the case will ever go to court, or the outcome if it did, the school has decided not to make a provision and instead to treat it as a contingent liability.

23. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget 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 2009/10 are as follows:

	Central expenditure	Individual schools' budget	Total
	£'000	£'000	£'000
Underspend brought forward from 2008/09	(1,154)	0	(1,154)
Original grant allocation to Schools Budget for current year in the authority's budget	(25,216)	(152,005)	(177,221)
DSG available for the year	(26,370)	(152,005)	(178,375)
Actual expenditure for the year	25,212	152,005	177,217
Over/(under)spend for the year	(1,158)	0	(1,158)
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 2010/11	(1,158)	0	(1,158)

24. 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 included in 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 three-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 2008/09.

A total gross sum of £2.35m (including statutory interest) has so far been received from HMRC relating to these claims. The sum of £2.14m of this total was received after 31 March 2010 and has been included in the accounts as a post-balance sheet adjusting event, i.e. an event occurring after the Balance Sheet date. Claims totalling £0.945m remain unsettled as at 31 March 2010 and are hereby disclosed as a remaining contingent asset. (Negotiations with HMRC on the outstanding claims are still in progress as at year end 2009/10.)

25. Contingent Liabilities

A contingent liability is defined as: -

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or

(b) a present obligation that arises from past events but is not recognised because:

- (i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

The following items have been identified as contingent liabilities:-

- An employment tribunal claim at one of LBL's schools may or may not find against the borough. This has been allowed for in the aforementioned "Henry Fawcett Primary School" reserve.
- A judicial review, "Applicant v LBL" may or may not find against the borough. It revolves around EU regulations on eligibility for housing as a homeless person and a challenge by an individual as to the Council's decision in such a matter. The Council was successful in the County Court (the section 204 appeal) but the applicant then appealed to the High Court who regarded the matter of such importance that they referred this (and another very similar case) to the European Court of Justice. The ECJ found in favour of the applicant and stated that she should be regarded as eligible. The decision on the appeal from the s204 appeal then needed to be dealt with by the Court of Appeal.

Even though the Council was successful at first instant in the County Court, it will need to pick up the legal costs of the applicant in the County Court and the ECJ. The costs of the Court of Appeal action are dependent on their outcome. These legal costs are likely to be significant, based on the reputation for high charges of the firm representing the applicant. It is equally clear that these fees, and any certainty the Council may have around the outcome of this case, rely on the decision of the Court of Appeal – and this has informed the decision to record this matter as a contingent liability.

- LBL has been put on notice of potential claims in restitution with regard to local land charges fees, on the basis that the fees charged for these searches are unlawful. No claims have yet been issued but, if they are, the potential is for claims on all such charges going back at least six years, running to at least £6m although the legal position on restitution, and how far the claims can go back, is currently far from clear. Accordingly, this matter has been recorded as a contingent liability.

26. Provisions

	Balance at 31 March 2009	Additional provisions	Utilised	Released	Balance at 31 March 2010
	£'000	£'000	£'000	£'000	£'000
Insurance fund	(10,254)	(1,129)	524	3,842	(7,017)
Insurance fund - HRA	(3,665)	(317)	258	457	(3,267)
S117	(2,483)	0	0	2,483	0
Continuing Care	(1,000)	0	0	418	(582)
Dilapidations	(200)	0	0	0	(200)
Planning Appeals	(1,000)	0	394	0	(606)
Contract disputes	(1,125)	(500)	250	0	(1,375)
Tenant Management Organisations	(998)	(155)	152	156	(845)
Single Status	0	(390)	0	0	(390)
TOTAL	(20,725)	(2,491)	1,578	7,356	(14,282)

Economic benefit is expected to transfer during the 2009/10 financial year although the exact timing of the transfer cannot be anticipated.

The purpose of each provision is set out below:

The **Insurance Fund** provision 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 actuarial review of insurance provisions is carried out annually using an actuarial forecasting approach which is designed to review the appropriateness of the provisions and reserves for the Council's self-insured claims as at the date of the valuation. This valuation takes into account all known and outstanding (unpaid) claims received from 1998 to date, and also makes a calculation for any incurred but not reported claims (IBNR) and contingent liability in respect of MMI clawback.

Liability claims in particular are of a 'long tail' nature and may not be received by the Council until several years after the incident date. Once claims are received it may take many more years from the date of receipt for them to be settled, and payments on some of the larger claims often span a number of different financial years.

To limit its exposure on self-insured risks in any set period, the Council has in place policy deductibles and 'stop loss' limits on its insurance policies. For property insurance the current protection limits are £500k on each individual claim

(the Council only pays the first £500k on any claim regardless of its value) with a stop loss of £1.6m in any 15-month period across all property claims, meaning that the maximum exposure to the Insurance Fund in respect of property losses will never be more than £1.6m within a 15-month period. For liability claims, the Council pays only the first £150k of each claim with a stop loss of £7.5m for all liability claims within a 15-month period. However, as previously noted, liability claims are of a 'long tail' nature and payments made are therefore spread over many years.

Over the past 10 years, the average payments made from the Insurance Fund have been £2.5m per annum, with the maximum paid from the Fund in any one financial year being £4.1m over this period. Annual General Fund and HRA contributions into the Insurance Fund are also made which have the effect of maintaining the Fund at a reasonable level and avoiding depletion of the Fund over a period of time.

For 2009/10 provision has been made for the assessment in respect of public and employer liability following careful scrutiny by officers of the recommended level of provision in the actuarial assessment.

S117 of the Mental Health Act – This provision has been redesignated as a reserve.

The **Continuing Care** provision covers two related issues: the need to reimburse clients who may have been charged incorrectly since new legislation came into effect on 1 October 2007; and potential liability for claims arising before that date relating to the failure to make appropriate assessments of care needs (case law [Grogan] which has since been subsumed within the new legislation). A review of the provision has determined that the potential overcharging part of the provision is no longer required and the provision has been reduced accordingly.

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. Some payments were made in 2009/10 without prejudice to future discussions.

Contract disputes – An assessment of the potential liability has been made in each of the cases brought forward from 2008/09 – two have been settled and the others are under review with suitable provision made. A new dispute has come to light in 2009/10 and an assessment of the potential liability made, resulting in an increase in provision under this heading of £0.5m.

Tenant Management Organisations - Provision to cover outstanding payments to TMOs. Some settlements were made in 2009/10. The current provision is to cover the remaining disputes which are expected to be resolved in 2010/11.

The **Single Status** provision has been redesignated from a reserve due to greater certainty over the likelihood and timing of payment. Following an assessment of this potential risk the Council needs to set aside resources against the potential costs of the pay and grading review. The current balance represents the latest assessment of possible costs.

27. Retirement Benefits

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

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 2009		31 March 2010	
	£'000		£'000	
	LPFA	Lambeth	LPFA	Lambeth
Deficit at Beginning of Year	7,922	280,490	11,525	400,327
Net Movement on Prior-Year Figures due to Changes in Valuation Basis	216	3,477	0	0
Actuarial Losses	2,471	114,028	18,335	310,192
Other Movements	916	2,332	1,062	4,452
Deficit at End of Year	<u>11,525</u>	<u>400,327</u>	<u>30,922</u>	<u>714,971</u>
		11,525		30,922
Total Pension Reserve		<u>411,852</u>		<u>745,893</u>

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 2009/10 the Council paid £10.48m to the TPA (£9.80m in 2008/09), representing 14.1% of pensionable pay (14.1% in 2008/09). Of the total paid in 2009/10 £0.6m related to added years payments. 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 benefit 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 2010.

FRS17 requires asset values as at 31 March 2010 to be shown at bid value.

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

Year ended:	31 March 09 £'000	31 March 10 £'000
Opening defined benefit obligation	(975,829)	(922,182)
Current service cost	(15,749)	(12,320)
Interest cost	(66,957)	(62,864)
Contributions by members	(8,373)	(7,907)
Actuarial losses / (gains)	86,436	(489,333)
Past service gains	(5,091)	(246)
Gains on curtailments	(940)	(671)
Liabilities extinguished on settlements	22,680	0
Estimated unfunded benefits paid	7,044	7,489
Estimated benefits paid	34,597	36,257
Closing defined benefit obligation	(922,182)	(1,451,777)

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

Year ended:	31 March 09 £'000	31 March 10 £'000
Opening fair value of employer assets	(691,862)	(521,854)
Expected return on assets	(50,183)	(34,991)
Contributions by members	(8,373)	(7,907)
Contributions by the employer	(29,598)	(29,169)
Contributions in respect of unfunded benefits	(7,044)	(7,489)
Actuarial losses/(gains)	200,464	(179,143)
Assets distributed on settlements	23,101	0
Unfunded benefits paid	7,044	7,489
Benefits paid	34,597	36,257
Opening fair value of employer assets	(521,854)	(736,807)

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:

	2008/09		2009/10	
	£'000	% of payroll	£'000	% of payroll
Service cost	15,749	12.6%	12,320	10.5%
Interest on Pension Scheme Liabilities	66,957	53.8%	62,864	53.5%
Expected return on employer assets	(50,184)	(40.3%)	(34,991)	(29.8%)
Past service costs	5,091	4.1%	246	0.2%
Losses on curtailment & settlements	1,361	1.1%	671	0.6%
Total net cost of services	38,974	31.3%	41,110	35.0%
Actual return on plan assets	(156,009)		214,132	

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 March 06	30 March 07	31 March 08	31 March 09	31 March 10
	£'000	£'000	£'000	£'000	£'000
Actuarial losses/(gains)	21,800	(58,400)	(60,818)	114,028	310,191
(Increase)/decrease in irrecoverable surplus from membership	0	0	0	0	0
Actuarial loss/(gain) recognised in STRGL	21,800	(58,400)	(60,818)	114,028	310,191
Cumulative actuarial (losses)	232,000	173,600	112,782	226,810	537,001

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

	Long-term return, 31 March 2009	Fair value as at 31 March 2009		Long-term return, 31 March 2010	Fair value as at 31 March 2010	
	% p.a.	£'000	% of total	% pa	£'000	% of total
Equities	7.00%	(405,481)	(77.70%)	7.80%	(555,647)	(75.40%)
Bonds	5.60%	(90,281)	(17.30%)	5.00%	(135,905)	(18.40%)
Property	4.90%	(34,964)	(6.70%)	5.80%	(35,184)	(4.80%)
Cash	4.00%	8,872	1.70%	4.80%	(10,071)	(1.40%)
	6.70%	(521,854)	(100.00%)	7.20%	(736,807)	(100.00%)

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 2010 and 2009:

Financial assumptions

	31 March 09	31 March 10
Price increases	3.1%	3.8%
Salary increases	4.6%	5.3%
Pension increases	3.1%	3.8%
Discount rate	6.9%	5.5%
Proportion of employees opting to take a commuted lump sum	25%	25% (pre-Apr 2008 service) 63% (post-Apr 2008 service)

Breakdown of the expected return on assets by category

	31 March 09 % p.a.	31 March 10 % p.a.
Equities	7.0%	7.8%
Bonds	5.6%	5.0%
Properties	4.9%	5.8%
Cash	4.0%	4.8%

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

	Males	Females
Current pensioners	20.8 years	24.1 years
Future pensioners	22.3 years	25.7 years

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

Year ended:	31 March 06		31 March 07		31 March 08		31 March 09		31 March 10	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of employer assets	(662,770)		(712,719)		(691,862)		(521,856)		(736,807)	
Present value of defined benefit obligation	1,075,100		1,067,000		975,829		922,182		1,451,777	
Deficit	412,330		354,281		283,967		400,326		714,970	
Experience gains/(losses) on assets	(98,306)	(14.80%)	(2,090)	(0.30%)	74,557	10.80%	200,464	38.40%	(179,143)	(24.3%)
Experience gains/(losses) on liabilities	2,300	0.20%	(5,700)	(0.50%)	20,407	2.10%	(4,706)	(0.50%)	5,805	0.4%

In the year ending 31 March 2011 the estimated contributions to be paid into the scheme by the employer are approximately £30,408,100 (£30.41m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £1,451.78m 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 is not comparable with the private sector.

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 Barnett Waddingham as at 31 March 2010.

FRS17 requires asset values as at 31 March 2010 to be shown at bid value.

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

Year ended:	31 March 09	31 March 10
	£'000	£'000
Opening defined benefit obligation	(53,959)	(51,729)
Current service cost	(385)	(306)
Interest cost	(3,656)	(3,493)
Contributions by members	(149)	(142)
Actuarial losses/gains	3,918	(21,279)
Past service costs/(gains)	(194)	0
Losses/(gains) on curtailments	0	(5)
Estimated unfunded benefits paid	289	280
Estimated benefits paid	2,407	2,405
Closing defined benefit obligation	(51,729)	(74,269)

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

Year ended:	31 March 09	31 March 10
	£'000	£'000
Opening fair value of employer assets	(45,821)	(40,204)
Expected return on assets	(2,198)	(1,692)
Contributions by members	(149)	(142)
Contributions by the employer	(832)	(770)
Contributions in respect of unfunded benefits	(289)	(280)
Actuarial losses/(gains)	6,389	(2,944)
Unfunded benefits paid	289	280
Benefits paid	2,407	2,405
Closing fair value of employer assets	(40,204)	(43,347)

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

Year ended:	31 March 09 £'000	31 March 10 £'000
Service cost	385	306
Interest on Pension Scheme Liabilities	3,656	3,493
Expected return on employer assets	(2,198)	(1,692)
Past service costs	194	0
Losses/(Gains) on curtailment & settlements	0	5
Total net cost of services	2,037	2,112
Actual return on plan assets	(4,217)	4,637

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 five years can be analysed as follows.

	31 March 06 £'000	31 March 07 £'000	31 March 08 £'000	31 March 09 £'000	31 March 10 £'000
Actuarial (gains)/losses	0	(2,351)	(9,361)	2,471	18,335
(Increase)/Decrease in irrecoverable surplus from membership	0	0	0	0	0
Actuarial (gains)/losses recognised in STRGL	0	(2,351)	(9,361)	2,471	18,335
Cumulative actuarial (gains) and losses	0	(2,351)	(11,712)	(9,241)	9,094

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 March 2009	Fair value as at 31 March 2009		Long-term return, 31 March 2010	Fair value as at 31 March 2010	
	% p.a.	£'000	% of total	% p.a.	£'000	% of total
Cashflow matching	4.2%	36,586	91.0%	4.5%	16,472	38.0%
Equity	7.0%	3,216	8.0%	7.3%	4,768	11.0%
Target return portfolio	0.0%	0	0.0%	5.0%	23,407	54.0%
Cash	4.0%	402	1.0%	3.0%	(1,300)	(3.0%)
	4.4%	40,204	100.0%	5.1%	43,347	100.0%

Liabilities have been valued by Barnett Waddingham, an independent firm of actuaries, by rolling forward the value of the employer's liabilities reported as at the latest formal valuation (31 March 2007) to 31 March 2010, allowing for the different financial assumptions required under FRS17. Though it is not possible to assess the accuracy of this estimated liability without completing a full valuation, they are satisfied based on the information provided to them that there is no evidence that this approach is inappropriate.

Financial assumptions

	31 March 09	31 March 10
Inflation/Pension increase rate	3.1%	3.9%
Salary increases	4.6%	5.4%
Expected return on assets	4.4%	3.9%
Discount rate	6.9%	5.5%
Proportion of employees opting to take a commuted lump sum	68%	50.0%

Breakdown of the expected return on assets by category

	31 March 09 % p.a.	31 March 10 % p.a.
Cash flow matching	4.2%	4.5%
Equity	7.0%	7.3%
Target return portfolio	0.0%	5.0%
Cash	4.0%	3.0%

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 March 06		31 March 07		31 March 08		31 March 09		31 March 10	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Fair value of employer assets	(42,170)		(42,271)		(45,821)		(40,204)		(43,347)	
Present value of defined benefit obligation	60,378		59,069		53,959		51,729		74,269	
Deficit	<u>18,208</u>		<u>16,798</u>		<u>8,138</u>		<u>11,525</u>		<u>30,922</u>	
Experience gains/(losses) on assets	0	0.00%	(1)	0.00%	(3,571)	(7.80%)	6,389	15.90%	(2,944)	(6.80%)
Experience gains/(losses) on liabilities	0	0.00%	(3)	0.00%	(917)	(1.70%)	109	0.20%	(730)	1.00%

In the year ending 31 March 2011 the estimated contributions to be paid into the scheme by the employer are approximately £485,000 (£0.49m).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability is £74.27m.

28. Post-Balance Sheet Events

During 2008/09, the Council has submitted VAT refund claims to HM Revenue & Customs (HMRC) based on the House of Lord's 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 three-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 has submitted claims totalling £2m (approximately) during 2008/09.

Since the Balance Sheet date of 31 March 2010, HMRC have settled part of the outstanding claim in respect of Leisure activities – a principal sum of £1.125m plus interest of £1.009m. This is an adjusting item and has been reflected in the Cultural, environmental & planning services line within the Income & Expenditure Account, as have the fees payable to the Council's advisors (£0.423m).

In its budget on 22 June 2010 the Government announced a move to using the Consumer Price Index (CPI) as the measure of price inflation for public sector schemes from April 2011. Currently the Retail Price Index (RPI) is the measure used. This change will affect the valuation of pension fund liabilities. Nationally, some commentators have estimated that the impact of this change nationally on local government pension schemes would be to reduce gross liabilities by around 10%. The Council will assess and reflect the impact of the change on its pension scheme, together with the impact of changes in other key assumptions, in preparing its 2010/11 Statement of Accounts.

29. Net Assets Employed

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

	2008/09 £000	2009/10 £'000
General Fund	(678,123)	(395,395)
Housing Revenue Account	(591,770)	(638,067)
	(1,269,893)	(1,033,462)

30. Restatement of Prior-Year Amounts

a) This represents the changes in the Balance Sheet required to effect the implementation of IFRIC 12

PFI Restatement						
Balance Sheet	2007/08 £'000	Adjustment £'000	2007/08 Adjusted £'000	2008/09 £'000	Adjustment £'000	2008/09 Adjusted £'000
Long-term Assets	2,399,553	23,417	2,422,970	2,332,394	30,041	2,362,435
Long-term Liabilities / Finance Lease Creditors	(1,094,015)	(22,308)	(1,116,323)	(1,249,497)	(29,510)	(1,279,007)
Capital Adjustment Account	(1,432,995)	853	(1,432,142)	(1,354,549)	846	(1,353,703)
Revaluation Reserve	(265,267)	(1,962)	(267,229)	(186,597)	(1,377)	(187,974)
Total	(392,724)	0	(392,724)	(458,249)	0	(458,249)

b) For changes relating to restatement of the Collection Fund please refer to Collection Fund note 5.

The Statement of Accounts was authorised for issue on 28 September 2010 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 the Income and Expenditure deficit for the year to the net cash inflow from revenue activities:-

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Income and Expenditure deficit/(surplus) for the year		98,717		(24,123)
Non cash items				
Depreciation and impairment of fixed assets	(132,717)		(46,122)	
Amortisation of grants relating to fixed assets	532		4,057	
REFFCUS	(5,983)		(7,062)	
Net charges made for retirement benefits in accordance with FRS 17	(41,011)		(43,222)	
Charge to I&E for premiums/discounts (stock transfer premium)	0		(2,677)	
Overhanging debt grant	0		14,468	
Other non-cash items	(2,392)		(1,647)	
		(181,571)		(82,205)
Transfer of reserves and provisions				
Actual pension costs	37,763		37,708	
Provisions set aside in year	12,199		6,442	
		49,962		44,150
Accrued items in Income and Expenditure				
Decrease in revenue creditors	25,287		21,063	
Decrease in revenue debtors	(21,059)		(15,733)	
Decrease in long-term revenue debtors	(213)		(302)	
Increase in stock	3		8	
		4,018		5,036
Capital cash flow activities included in Income and Expenditure				
Net Gain on disposal of fixed assets	4,383		11,120	
		4,383		11,120
Items included in another classification in the cash flow statement				
Interest paid	(40,842)		(44,064)	
Interest received	15,002		4,660	
Contribution to government pool	(3,772)		(1,273)	
Other capital cash receipts	370		1,860	
		(29,242)		(38,817)
Net Cash inflow from revenue activities		<u>(53,733)</u>		<u>(84,839)</u>

2. Reconciliation of net cash flow to movement in net debt

2009/10	31 March 2009 £'000	Cash flows £'000	Non-cash changes £'000	31 March 2010 £'000
Cash in bank and at hand	33,015	85,673	0	118,688
Overdrafts	(29,454)	(20,016)	0	(49,470)
Debt due after 1 year	(26,468)	0	757	(25,711)
- Obligations under PFI schemes	(664,932)	44,000	20,575	(600,357)
- Other long term borrowings from PWLB				
Debt due within 1 year	(3,042)	3,042	(3,004)	(3,004)
- Current portion of long-term borrowings from PWLB	(10,865)	0	(7,990)	(18,855)
Current asset investments	201,477	(135,645)	1,201	67,033
Other liquid resources	(3,380)	5,724	0	2,344
Net Debt	<u>(503,649)</u>	<u>(17,222)</u>	11,539	<u>(509,332)</u>

	2008/09 £'000	2009/10 £'000
Increase/(decrease) in cash in the year	1,916	65,657
Cash outflow from other liquid resources	(2,927)	5,724
Cash inflow from increase in debt and lease financing	13,277	47,042
Cash inflow from decrease in short term deposits	(81,538)	(135,645)
Change in net debt resulting from cash flows	(69,272)	(17,222)
Movement from non current to current investments	0	5,000
Settlement of overhanging debt by CLG	0	11,791
Interest accruals	480	(3,005)
New PFI asset	(10,060)	(2,247)
Movement in net debt in year	(78,852)	(5,683)
Net debt at 1 April 2009	(424,797)	(503,649)
Net debt at 31 March 2010	(503,649)	(509,332)

3. Financing and management of liquid resources

	31 March 2009 £'000	Cash flows £'000	Non-cash changes £'000	31 March 2010 £'000
Current investments	201,477	(135,645)	1,201	67,033
Other liquid resources	(3,380)	5,724	0	2,344
PWLB borrowing	(675,797)	44,000	12,585	(619,212)
PFI long-term borrowing	(29,510)	3,042	(2,247)	(28,715)
Balance at 31 March	(507,210)	(82,879)	11,539	(578,550)

The Council's liquid resources comprise term deposits which are less than one year from maturity on acquisition and NNDR receipts under or overpaid to the Government and Council Tax receipts under or overpaid to major preceptors. The prior year comparatives have been restated to include amount in the latter two categories following changes to the accounting for local taxes as a result of a change in SORP requirements.

4. Movement in net cash

	Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000	Movement in the year £'000
Cash in hand	33,015	118,688	85,673
Cash overdrawn	(29,454)	(49,470)	(20,016)
	3,561	69,218	65,657

	Balance at 31 March 2008 £'000	Balance at 31 March 2009 £'000	Movement in the year £'000
Cash in hand	40,979	33,015	(7,964)
Cash overdrawn	(39,342)	(29,454)	9,888
	1,637	3,561	1,924

5. Analysis of Capital Government Grants received

Capital Grant	Grant Awarding Body	2008/09 £'000	2009/10 £'000
Clapham Park NDC	Communities and Local Government (CLG)	5,003	0
Partnerships for Schools	Department for Children, Schools and Families (DCSF)	0	10,662
EYCP – Children's Centres	Department for Children, Schools and Families (DCSF)	6,940	0
Standards Fund	Department for Children, Schools and Families (DCSF)	35,977	10,519
Transport For London Schemes	Transport for London	2,956	
Myatts Fields	Heritage Lottery Fund (HLF)	1,369	0
New Opportunities	Big Lottery Fund	1,242	0
AIDS Cap	Department of Health	1,265	0
Other grants under £1m	Communities and Local Government (CLG)	3,553	11,128
		58,305	32,309

Only grants in excess of £1m are disclosed separately.

6. Analysis of revenue government grants received

Revenue Grant	Grant Awarding Body	2008/09 £'000	2009/10 £'000
Social Care	DOH	0	1,150
Housing Revenue Account Subsidy	DCLG	0	27,541
Supporting People Programme	DCLG	0	20,792
Homelessness	DCLG	0	2,261
NNDR & RSG	DCLG	0	117,878
Clapham Park NDC	Communities and Local Government (CLG)	2,338	0
Housing Ben or Council Tax Ben	DWP	0	267,005
Connected Learning Project PFI	Communities and Local Government	1,744	0
Dedicated Schools' Grant	DCSF	169,053	177,221
Unaccompanied Children	UK Border Agency	3,333	0
Housing Act 1989	Communities and Local Government	13,566	0
Homelessness Strategy Grant	Communities and Local Government	2,703	0
Sixth Form	Learning and Skills Council (LSC)	5,273	0
Adult & Community Learning	Learning and Skills Council (LSC)	2,377	0
Lilian Baylis PFI Project	Communities and Local Government	1,931	0
Schools Standard Grant	DCSF	4,667	4,863
Schools Standard Grant—personalisation	DCSF	2,025	2,104
Standards Fund	DCSF	22,585	24,957
Street Lighting PFI	Communities and Local Government	1,388	0
Supporting People	Department of Health	20,792	0
Sure Start	DCSF	0	15,381
ABG	Communities and Local Government	20,184	22,002
GSSG	DCSF	9,781	0
Leaving Care	UK Border Agency	1,264	0
Asylum Seekers Accommodation	UK Border Agency	3,266	0
Childcare	DCSF	1,053	0
TfL grants	Transport for London (TfL)	4,595	0
Other grants under £1m	DCSF	11,138	32,384
		305,056	715,539

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	2008/09 £'000	2009/10 £'000
Income			
Dwelling rents		(97,245)	(110,697)
Non-dwelling rents		(3,706)	(4,033)
Charges for services and facilities		(34,209)	(38,958)
Contributions Towards Expenditure		(441)	(1,185)
HRA subsidy receivable	8	(12,162)	(28,421)
Government grants deferred		0	(102)
Reduction in Provision for Bad or Doubtful Debts		0	(89)
		(147,763)	(183,485)
Expenditure			
Repairs and maintenance		27,543	20,559
Supervision and management		74,957	80,115
REFFCUS – charge	10	1,145	617
REFFCUS – release of grant		(414)	(66)
Rents, rates, taxes and other charges		3,969	4,486
Depreciation of fixed assets	7	20,078	20,430
Impairment / (reversal of impairment) of fixed assets	7	60,258	(14,760)
Debt management expenses		81	108
Increase in bad debt provision		3,946	0
Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP		0	1,454
		191,563	112,943
Net cost of HRA services per Authority Income and Expenditure Account			
		43,800	(70,542)
HRA share of Corporate and Democratic Core		800	723
Net cost of HRA services		44,600	(69,819)
Interest payable and similar charges		22,666	20,877
Premiums on early settlement of loans		0	5,017
Loss/(Gain) on the disposal of fixed assets		(4,383)	(11,120)
Other Income (RTB discounts repaid and sales & leasehold extensions)		(370)	(1,605)
Overhanging debt grant	12	0	(14,468)
Interest and investment income		(713)	(55)
Pensions interest cost & return on assets		1,374	616
Deficit / (Surplus) for the year on HRA services		63,174	(70,557)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2008/09 £'000	2009/10 £'000
Deficit/(surplus) for the year on the HRA Income and Expenditure account	63,174	(70,557)
Net additional amount required by statute to be (credited) / debited to the HRA balance	(51,591)	58,291
Decrease / (increase) in the HRA Balance	11,583	(12,266)
HRA deficit brought forward	634	12,217
HRA deficit/(surplus) carried forward	12,217	(49)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Analysis of the movement on the HRA balance:

	2008/09 £'000	2009/10 £'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	1,774	(1,092)
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	0	102
Impairment	(60,258)	14,760
Revenue expenditure financed by capital under statute	(731)	(552)
Overhanging debt grant	0	11,791
Gain on the disposal of fixed assets	4,383	11,120
Disposal costs funded from capital receipts	(81)	0
Other Income (RTB discounts repaid and sales & leasehold extensions)	370	1,605
Net charges made for retirement benefits in accordance with FRS 17	(2,590)	(877)
Items not included in the HRA Income and Expenditure Account but included in the Movement on HRA Balances for the year		
Transfer to Major Repairs Reserve	2,696	20,511
Transfer to earmarked reserves	0	140
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	2,846	783
Net additional amount required by statute to be (debited)/credited to the HRA Balances for the year	(51,591)	58,291

2. Housing stock

The Authority was responsible for managing a Housing Revenue Account stock of 25,945 properties as at 31 March 2010 compared with a total of 26,513 properties as at 31 March 2009.

	31 March 2009	31 March 2010
Flats	22,216	21,715
Houses	4,133	4,069
Multi-occupied	163	160
Shared ownership	1	1
Total	26,513	25,945

3. HRA assets

	31 March 2009 £'000	31 March 2010 £'000
Operational properties		
Land	540,256	532,650
Dwellings	1,094,820	1,220,125
Other properties	44,134	37,306
Sub-total	1,679,210	1,790,081
Non-operational properties		
Land	2,774	14,950
Commercial properties	30,955	21,486
Surplus	11,842	7,523
TOTAL	1,724,781	1,834,040

4. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 1 April 2009 was £4.691 billion which has been reduced to £1.736 billion to reflect social housing use. The social housing use value is included in the Balance Sheet. The reduction of £2.955 billion is a measure of the economic cost of providing subsidised housing.

5. Major repairs reserve

	2008/09 £'000	2009/10 £'000
Balance brought forward	(31,195)	(6,352)
Brought forward funding	0	(17,378)
Transfer to HRA	(2,696)	(3,133)
Capital expenditure charged to reserve	47,617	45,205
Transfer from HRA equal to depreciation		
- on flats	(14,943)	(14,923)
- on bungalows	(85)	(88)
- on houses	(3,753)	(3,845)
- on other properties	(1,297)	(1,574)
	(6,352)	(2,088)

6. Capital expenditure, financing and receipts

	2008/09 (restated) £'000	2009/10 £'000
HRA capital expenditure		
Works to dwellings	47,529	58,015
Other Land & Buildings	620	117
Vehicles, Plant & Equipment	216	1,561
Intangible Assets	1,164	91
REFFCUS	1,145	617
	50,674	60,401
Financing of capital expenditure		
Borrowing	0	30
Usable Capital Receipts	2,331	8,970
Major Repairs Reserve	47,617	45,205
Grants	726	6,196
Total	50,674	60,401
Capital Receipts		
Dwellings	7,460	14,860
Land	0	5,050
Other properties	1,445	1,273
Total	8,905	21,183

7. Depreciation and impairment

	2008/09 £'000	2009/10 £'000
Depreciation charged for the year		
Operational assets	18,856	19,955
- on flats	14,943	14,924
- on bungalows	85	88
- on houses	3,753	3,845
- on other properties	75	1,098
- on land	0	0
Non-operational assets		
- on flats	0	0
- on bungalows	0	0
- on houses	0	0
- on other properties	1,222	475
- on land	0	0
Total Depreciation	20,078	20,430

	2008/09 £'000	2009/10 £'000
Impairment charged for the year		
Operational assets		
- on flats	22	13
- on bungalows	1,029	586
- on houses	712	405
- on other properties	29,573	16,828
- on land	0	0
Non-operational assets		
- on flats	0	5
- on bungalows	0	0
- on houses	0	0
- on other properties	0	3
- on land	0	0
	60,258	34,297
Impairment losses reversed		
Operational assets	0	(27,107)
- on flats	0	(43)
- on bungalows	0	(1,910)
- on houses	0	(348)
- on other properties	0	(19,551)
- on land	0	(27,107)
Non-operational assets		
- on flats	0	(96)
- on bungalows	0	0
- on houses	0	0
- on other properties	0	(2)
- on land	0	0
	0	(49,057)
Net Impairment	60,258	(14,760)

8. Housing Revenue Account subsidy

	2008/09 £'000	2009/10 £'000
Major repairs allowance	(22,774)	(40,941)
Housing element	10,612	12,520
Subsidy due for the year	(12,162)	(28,421)

9. Rent arrears

	2008/09 £'000	2009/10 £'000
Arrears as at 31 March	20,692	19,955
Provision for bad debts	(10,938)	(8,541)
Collectable amount	9,754	11,414

10. Revenue Expenditure Funded from Capital under Statute

The sum of £0.551m (comprising a charge of £0.617m offset by a £0.066m release of grant) 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 benefited from the Pension Reserve of £95k, 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. Early Redemption of Debt

During 2009/10 the Council repaid £44m PWLB (Public Works Loan Board) debt at a premium of £3.959m. In accordance with the HRA Subsidy Determination, the premium attributable to HRA of £2.339m will be amortised over ten years.

During the year, the Council also transferred Ashmole Estate to Metropolitan Housing Trust. The overhanging PWLB debt of £11.791m as well as the net of premiums and discounts of £2.677m, resulting from the early redemption of the overhanging debt, was reimbursed by the Communities and Local Government (CLG) department.

In addition £1.013m of premiums held on the Balance Sheet as at 1 April 2009 have been amortised to the HRA Income & Expenditure Account in accordance with the HRA Subsidy Determination and the Council's accounting policies.

13. Large Scale Voluntary Transfers

The Council undertook one Large Scale Voluntary Transfer (LSVT) during 2009/10, following a resolution of the Council and a subsequent ballot of its then tenants. The financial implications of all transactions relating to this transfer are included throughout this Statement of Accounts.

On 22 March 2010, the Council effected a transfer of 594 units of dwellings, including 92 Leaseholds, for the estate known as Ashmole Estate to Metropolitan Housing Trust. The valuation of Council Dwellings was amended to reflect the Tenanted Market Value expected to be received at the time of transfer. This was calculated at a negative value of £5,828,835 reflecting the work required to bring the dwellings up to an acceptable standard. As a result the dwellings were transferred for a nil consideration. There were no balances in the Government Grants Deferred Account relating to the Ashmole Estate.

The transfer process involved a special VAT shelter arrangement agreed by both parties with HM Revenue & Customs whereby the related input VAT (£4.98m) was accounted for by the Council, recovered from HMRC and paid over to the Metropolitan Housing Trust in line with the contractual arrangements. The Council is then entitled to a share of the work-related input VAT which will be recovered by Metropolitan Housing Trust during the period of the development works programme. The Council's total VAT share is assessed on a defined Net Present Value of £1.41m based on a discount rate of 6.75%. The Council will receive this amount unless the total VAT savings do not equal £1.41m NPV, in which case the Council's defined receipts would not be met and it would receive the total VAT savings.

Two members of staff were transferred under TUPE arrangements to Metropolitan Housing Trust as a result of the LSVT. Both are full-time employees, one of whom is in the Council's pension scheme, and MHT will meet future employer's contributions and any changes resulting from actuarial revaluations.

COLLECTION FUND

	Note	31 March 2009 £'000	31 March 2010 £'000
INCOME			
Council Tax		(105,820)	(106,506)
National Non-Domestic Rates		(89,138)	(86,683)
Transfers from the General Fund		(27,036)	(28,280)
		<u>(221,994)</u>	<u>(221,469)</u>
EXPENDITURE			
Precepts and Demands			
Greater London Authority		31,160	31,825
London Borough of Lambeth		93,059	95,047
		<u>124,219</u>	<u>126,872</u>
National Non-Domestic Rates			
Payment to National Pool		88,656	86,200
Cost of Collection Allowance		482	483
		<u>89,138</u>	<u>86,683</u>
Provision for bad and doubtful debts		10,846	2,245
Write-offs		3,492	5,448
Transfer to General Fund in respect of prior year			
Estimated Council Tax Surplus		1,681	1,500
Payments to preceptors re prior year estimated surplus			
Greater London Authority		578	502
Adjustment – Community Charge	4	6	0
		<u>229,960</u>	<u>223,250</u>
DEFICIT FOR THE YEAR		<u>7,966</u>	<u>1,781</u>
MOVEMENT ON FUND BALANCE			
Surplus brought forward 1 April		(8,365)	0
Movement for the year			
Council Tax		7,960	1,781
Community Charge		6	0
		<u>7,966</u>	<u>1,781</u>
(Surplus) / Deficit balance carried forward 31 March		<u>(399)</u>	<u>1,382</u>

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 2010, the band D Council Tax was set at £1,235.11 based upon a tax base of 102,721 (for 2008/09, £1,235.11 based upon a tax base of 100,572) and included the £309.82 requirement of the Greater London Authority (£309.82 in 2008/09).

The table below shows the calculation of the Council Tax Base for 2009/10

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,746	3,782	6/9	2,521
B	32,111	26,024	7/9	20,241
C	37,837	32,137	8/9	28,566
D	27,189	23,841	9/9	23,841
E	13,076	11,750	11/9	14,361
F	8,528	7,723	13/9	11,155
G	5,267	4,813	15/9	8,021
H	620	524	18/9	1,047
O				
TOTALS	129,374	110,594		109,753
Adjustment for expected movements in property base				(1,910)
				107,843
Adjustment for collection rate				(5,122)
Tax base for Council Tax purposes				102,721

2. **National Non-Domestic Rates** are organised on a national basis. Central Government specifies an amount, 48.5p in 2009/10 (46.2p in 2008/09) as the standard multiplier and 48.1p as the small business rate-relief multiplier (45.8p in 2008/09). 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 2009/10 is based upon a total rateable value for the Council's area of £230m at 31 March 2010 (£230m at 31 March 2009).

3. Collection Fund Surpluses and Deficits

Following changes to the Code of Practice on Local Authority Accounting for 2009/10 with regard to Council Tax, Lambeth prepares its accounts as the major Billing agent with the requirement to include appropriate shares of Council Tax debtors and creditors in both the Lambeth Council balance sheet and the balance sheet of our preceptor GLA. In addition from 1 April 2009 Council Tax income included in the Income and Expenditure Account for the year shall be the accrued income, whereas prior to this date the amount included in the Income and Expenditure Account was the amount paid from the Collection Fund under regulation.

4. Adjustments in Respect of Community Charges

There is residual non-material activity on this account. All receipts to this account have been mapped to Council Tax accounts and a residual amount of £656.00 was taken to revenue for 2009-10.

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
Increase in provision for bad debts		6		0
Net Community Charge adjustments		6		0

5. Accounting Policies

The Collection Fund Income and Expenditure Account is prepared on an accruals basis and complies with appropriate regulations and the Code of Practice of Local Authority Accounting.

The transactions of the Collection Fund are wholly prescribed by legislation.

The year end surplus or deficit on the Collection Fund, when attributable to the Council Tax System, is apportioned between the Council and the Greater London Authority (GLA). Any surplus or deficit arising on outstanding Community Charge transactions is retained solely by the Council.

Calculation of Greater London Authority share of Debtors and deficit

	Total Collection £'000	London Borough of Lambeth (LBL) £'000	Greater London Authority (GLA) £'000
Apportionment Basis	100%	74.92%	25.08%
Council Tax Arrears	6,065	4,544	1,521
Creditors	(14,810)	(11,095)	(3,714)
Deficit	1,382	1,035	347
Cash	(7,363)	(5,516)	(1,846)

6. Restatement of Prior Year Accounts

Following changes to the Code of Practice on Local Authority Accounting for 2009/10 with regard to Council Tax, Lambeth prepares its accounts as the major billing agent with the requirement to include appropriate shares of Council Tax debtors and creditors in both the Lambeth Council balance sheet and the balance sheet of our preceptor, the GLA. In addition from 1 April 2009 Council Tax income included in the Income and Expenditure Account for the year is the amount accrued, whereas prior to that date the amount included in the Income and Expenditure Account was the amount paid from the Collection Fund under regulation.

With regard to NNDR, as a billing authority Lambeth does not recognise NNDR Debtors in its balance sheet, but instead recognises a creditor or debtor for cash collected from NNDR debtors, but not paid to the Government at the Balance Sheet date.

The table below shows the apportionment of all collections between the Council and the GLA.

Calculation of Greater London Authority share of Debtors and deficit

Collection Fund Restatement 2008-09	Total Collection £'000	London Borough of Lambeth (LBL) £'000	Greater London Authority (GLA) £'000
Apportionment Basis	100%	74.92%	25.08%
Council Tax Arrears (net)	4,687	3,512	1,175
Creditors in respect of Council Tax	(14,468)	(10,840)	(3,628)
Surplus on Collection Fund	(399)	(299)	(100)
Cash	(10,180)	(7,627)	(2,553)

The restatement has nil effect on the statement of accounts overall as demonstrated in the table below.

Collection Fund Restatement 2008-09	2008-09 £'000	Adjustment £'000	Restated 2008-09 £'000
Debtors	125,389	(5,908)	119,481
Creditors	(143,866)	5,808	(138,058)
Collection Fund Reserve	(399)	399	-
Collection Fund Adjustment Account	-	(299)	(299)
Total	(18,876)	0	(18,876)

In addition the effect of the change on the deficit on the income and expenditure account is to increase it by £5,908,000. This is offset by an increase of the same amount in the net additional amount required by statute to be credited to the General Fund balance for the year in the Statement of Movement on the General Fund Balance.

PENSION FUND

PENSION FUND ACCOUNT		Note	2008/09 £'000	2009/10 £'000
CONTRIBUTIONS AND BENEFITS				
<i>Contributions:</i>				
From employers	8a	32,046		33,735
From employees		8,388		8,136
Transfers in		3,443		6,843
Income re equivalent contribution scheme		4		8
			<u>43,881</u>	<u>48,722</u>
<i>Benefits:</i>				
Pensions	8b	(30,459)		(32,147)
Commutations and lump sum retirement benefits		(5,904)		(5,771)
			(36,363)	(37,918)
<i>Leavers</i>				
Refunds to members leaving service		(23)		(51)
Transfers out – Individuals		(2,694)		(6,177)
State Scheme Premiums		(1)		(3)
			(2,718)	(6,231)
Administrative and other expenses borne by the scheme	3		(936)	(791)
			<u>(40,017)</u>	<u>(44,940)</u>
Net investments from dealings with members			3,864	3,782
<i>Returns on investments</i>				
Income earned on investments	7	11,882		23,132
Change in market value of investments		(174,920)		199,352
Investment management expenses		(2,064)		(1,995)
Net return on investments			(165,102)	220,489
Net (decrease) / increase in the Fund during the year			(161,238)	224,271
Opening net assets of the scheme			<u>701,991</u>	<u>540,753</u>
Closing net assets of the scheme			<u>540,753</u>	<u>765,024</u>

NET ASSETS STATEMENT	Note	Valuation	2008/09 £'000	2009/10 £'000
Investment Assets	12			
Fixed interest securities UK		Market Value	67,054	97,307
Fixed interest securities Overseas		Market Value	5,774	0
UK equities (shares) – quoted		Market Value	188,777	256,769
Overseas equities (shares) – quoted		Market Value	216,091	297,894
Index Linked Securities UK		Market Value	18,797	48,620
Cash Deposits			9,756	29,103
Pooled Investment Vehicles				
UK unit trusts other		Market Value	5,076	9,476
UK unit trusts – property		Market Value	34,829	20,161
Private Equity		Market Value	15,998	22,241
Venture capital funds		Market Value	134	245
Derivative Contracts				
Futures		Market Value	0	0
UK cash investments		Market Value	8	0
			562,294	781,816
Current Assets				
Futures – Forward contracts			0	246
Investment income accrued			2,306	1,978
Inland Revenue – tax claims			113	59
Due from London Borough of Lambeth			13	6
			2,432	2,289
Current Liabilities				
Futures			(8)	(27)
Forward Contracts			0	0
Prior year adjustment			0	(64)
Inland Revenue – refunds			(18)	(25)
Due to London Borough of Lambeth			(23,947)	(18,965)
			(23,973)	(19,081)
Net assets at 31 March			540,753	765,024

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 29 of the annual report and these accounts should be read in conjunction with that.

Net Asset Reconciliation

2009/10	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2009	649,612	(97,073)	552,539
Purchases	325,212	0	325,212
Sales	(328,709)	0	(328,709)
Transfers In	67,535	0	67,535
Transfers Out	(63,216)	0	(63,216)
Change in market value of investments	0	0	0
- Realised Profit	11,159	0	11,159
- Unrealised Profit	0	188,193	188,193
	0	0	0
Balance at 31 March 2010	661,593	91,120	752,713

2008/09	At Cost £'000	Unrealised Profit / Loss £'000	At Market Value £'000
Balance at 1 April 2008	692,004	7,587	699,541
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	(104,660)	(104,609)
Balance at 31 March 2009	649,611	(97,073)	552,539

Net Money Invested	2008/09 £'000	2009/10 £'000
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Contributions and Benefits

Contributions:

From employers	32,046	33,735
From employees	8,388	8,136
Transfers in	3,443	6,843
Income re equivalent contribution scheme	4	8
Income earned on investments	11,882	23,132
	55,763	71,854

Benefits:

Pensions	(30,459)	(32,147)
Commutation and lump sum retirement benefits	(5,904)	(5,771)

Leavers

Refunds to members leaving service	(23)	(51)
Transfers out – Individuals	(2,694)	(6,177)
State Scheme Premiums	(1)	(3)

Administrative and other expenses borne by the scheme	(936)	(791)
Investment management expenses	(2,064)	(1,995)
	(42,081)	(46,935)

Net Money Invested

	13,682	24,919
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NOTES TO THE PENSION FUND

1. Basis of Preparation

The Pension Fund accounts have been prepared in accordance with Local Government Pension Regulations 2008 (as amended) and with the guidelines set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2009, having regard to the Statement of recommended Practices, Financial Reporting of Pensions Scheme (revised May 2007).

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 2010 the outside bodies who had entered into agreement with Lambeth for pension were:- Age Concern Lambeth, Hyde Housing Association, Thorlands Action Group Ltd, St. Martins Community Partners, Ethelred TMO, Excel Care Holdings plc, Blenheim Gardens RMO, Metra Housing Co-operative, Research Machines plc, Wellington Mills Housing Co-op and Community Trust Housing and Ethelred (admitted bodies). Evelyn Grace Academy, Lambeth Academy and Lambeth Living are scheduled bodies. Metropolitan Housing Trust and United Resident Housing are combined admission bodies.

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.

Membership in the Fund as at 31 March 2010 was made up of 5,115 active members (4,771 in 2008/09) who paid contributions to the Fund, 6,518 pensioners (6,093 in 2008/09) who were paid by the Fund and 6,417 deferred pensioners (6,238 in 2008/09). The table below provides a breakdown:

Employer	Active	Deferred	Pensioner
Administrative Body			
London Borough of Lambeth	4,724	6,297	6,476
Scheduled Body			
Lambeth Academy	35	25	1
Evelyn Grace Academy	4	4	0
Lambeth Living	309	35	15
Admitted Bodies			
Hyde Housing	4	17	9
Research Machines PLC	1	1	0
Metropolitan Housing Trust	2	3	2
Age Concern	1	4	6
Wellington Mills	1	0	0
United Resident Housing	6	1	0
Community Trust Housing	10	1	3
Excel Care	6	7	4
St Martins Community Partners	0	2	0
Metra Housing Co-Op	2	4	0
Ethelred TMO	1	9	0
Blenheim Gardens	8	2	0
Thorlands Action Group LTD	1	5	2
Total	5,115	6,417	6,518

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 management 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	2008/09 £'000	2009/10 £'000
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These comprise:

Pensions Administration	557	509
Pension Fund Administration	226	186
Additional Central Overhead Recharges (BVACOP)	153	96
	<hr/>	<hr/>
	936	791

4. Accounting Policies

Accruals Concept

Unless otherwise stated, the accounts have been prepared on an accruals 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 accordance with Pension SORP 2007 the Fund applied the bid price method for assessing the current market value of the different categories of investment assets and liabilities of the Fund as at 31 March 2010.
- 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.

The additional £12m (increasing each year at 4.7% p.a.) back funding from the employer due on 1 April every year is based on the assumption that the deficit is funded over 16 years.

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 scheme'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 there is a requirement for 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 2010, the total market value of the investments of the Fund was £752.7m (£552.5m as at 31 March 2009), of which 22.8% is managed by Aberdeen Asset Management, 46.8% by UBS Global Asset Management, 8.8% by Majedie Asset Management and 18.3% by Alliance Bernstein. Various other managers invest the remainder in Venture Capital Funds and Property including an investment of £22.2m (3.0%) made in Private Equity with Adams Street Partners. The table below shows the breakdown of the investments at market value between the managers.

	Aberdeen £'000	Aberdeen Global £'000	UBS £'000	UBS - Property £'000	UBS – Bonds £'000	AB £'000	Majedie £'000	RREEF £'000	Others £'000	TOTAL £'000	% of Fund
UK Equities	0	14,700	129,095	0	0	52,761	60,213	0	0	256,769	34.1
UK Unit Trusts	0	0	4,304	0	0	0	5,172	0	0	9,476	1.3
UK Unit Trusts- Property	0	0		17,681	0	0	0	2,480	0	20,161	2.7
UK Fixed Interest	0	0	0	0	19,175	0	0	0	0	19,175	2.5
UK Fixed Interest Non- Govt	54,068	0	0	0	24,064	0	0	0	0	78,132	10.4
UK Index Linked	13,524	0	0	0	0	0	0	0	0	13,524	1.8
UK Index Linked Non- Govt	0	0	0	0	35,096	0	0	0	0	35,096	4.7
Overseas Equities	0	89,712	122,726	0	0	84,813	643	0	0	297,894	39.5
Private Equity	0	0	0	0	0	0	0	0	22,241	22,241	3.0
Venture Capital Funds	0	0	0	0	0	0	0	0	245	245	0.0
TOTAL	67,592	104,412	256,125	17,681	78,335	137,574	66,028	2,480	22,486	752,713	100.0

Private Equity investment is valued at latest available estimated valuation - 31 March 2010. 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)	Transfer In & out of fund	Unrealised gain/(loss)	Closing balance	Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aberdeen Global	70,801	23,242	(22,737)	1,786	0	31,320	104,412	33,611
Aberdeen Bonds	60,231	5,369	(4,103)	(164)	0	6,259	67,592	7,362
Alliance Bernstein	123,529	111,191	(147,063)	9,761	0	40,156	137,574	14,045
Majedie	44,129	23,641	(22,590)	3,081	0	17,767	66,028	21,899
RREEF	218,993	110,347	(108,890)	2,620	(52,126)	85,181	256,125	37,132
UBS	0	0	(490)	(145)	22,323	(4,007)	17,681	17,681
UBS-Property	0	47,109	(7,049)	666	34,123	3,486	78,335	78,335
UBS-Bonds	18,723	179	(15,787)	(6,446)	0	5,811	2,480	(16,243)
Adams Street	15,998	4,134	0	0	0	2,109	22,241	6,243
Venture capital	134	0	0	0	0	111	245	111
TOTAL	552,538	325,212	(328,709)	11,159	4,320	188,193	752,713	200,176

The change in market value comprises realised gains of £11,159k and unrealised gains of £188,193k.

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

b) Direct transaction cost

Fund manager	2008/09 £'000	2009/10 £'000
Majedie	265	242
UBS	318	236
AllianceBernstein	3,793	4,595
Aberdeen	74	50
TOTAL	4,450	5,123

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, advisors, 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 2010

Security name	Economic exposure value £	Market value £	Expiration
Futures			
FTSE 100 IDX Futures	1,060,705	5,290	< 1 year
S&P500EMINI Futures	340,785	4,880	< 1 year
TOPIX INDX Futures	193,983	12,911	< 1 year
DJ EURO STOXX 50	326,781	3,826	< 1 year
		26,907	
Forward Contracts			
USD FWD Vs GBP - UK	924,350	924,350	< 1 year
USD FWD Vs GBP - US & Canada	(982,056)	(1,170,249)	< 1 year
EUR FWD Vs GBP – Europe Ex UK	57,706	0	< 1 year
		(245,899)	

- Stock index futures (fully collateralised) 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 utilised to gain exposure to securities in countries where we are not locally registered.
- During the year the Fund entered into currency swap agreements where it contracted to both buy and sell EUR and US dollars for a fixed amount of GBP over typical periods of three months. At the year end four contracts were open. After excluding offsetting a position there is a net exposure to sell USD 1,775,000 for a fixed amount of GBP 982,055.

7. Investment Income

	2008/09 £'000	2009/10 £'000
Interest on cash deposits	228	2,035
Dividends on Equities	18,376	18,378
Other receipts, capital movement and disbursement	228	(1,600)
Passive currency hedging	(6,950)	0
Unrealised P&L on transfers	0	4,319
	11,882	23,132

8. Total Contributions

a) Contributions from Employers	2008/09 £'000	2009/10 £'000
Normal	20,046	21,175
Deficit Funding	12,000	12,560
	32,046	33,735

In order to achieve 100% coverage by the end of the average expected working lifetime of the current contributors, there is a requirement for 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	Scheduled Bodies	Admitted Bodies
	(Lambeth)		
	2009/10	2009/10	2009/10
	£'000	£'000	£'000
Contributions received	45,510	2,771	441
Benefits paid	37,471	369	78

9. Security Lending

As at 31 March 2010 the Fund had £9.28m collateral value of stock released to third parties under a stock lending arrangement.

10. Statement of Investment Policies

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

11. Additional Voluntary Contribution (AVC)

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 separately and the table below shows the details, the contributions received and the value of the investments as at 31 March 2010.

Name	Total contribution (£'000)	Value of fund (£'000)
Prudential	172	398
Equitable Life	15	270
Clerical Medical	17	120
Total	204	788

12. Investments

At 31 March 2010, the Fund's 20 largest investments were:

	2008/09		2009/10	
	£'000	% of Fund	£'000	% of Fund
UBS Life UK 15 Year Index Linked Gilt Tracker Fund A Units	0	0	35,096	4.66
Aberdeen Fund Core Plus Sterling Credit Fund 1-2 GBP ACC	26,923	4.87	31,716	4.21
Aberdeen Core Plus Sterling Bond Fund Credit Fund 1-2 GBP ACC	20,811	3.77	22,353	2.97
BP ORD USD 0.25	17,294	3.13	20,502	2.72
Vodafone Group ORD USD0.11428571	16,025	2.90	19,815	2.63
UBS Life UK 15 Year Gilt Tracker Fund A Units	13,621	2.47	19,175	2.55
UBS Life Duration Neutral UK Long dated Corp Bond A UNITS	3,844	0.70	17,458	2.32
UBS Global Emerging Market Equity J Shares	12,886	2.33	16,884	2.24
HSBC Holdings ORD USD0.50 (UK REG)	6,946	1.26	16,187	2.15
Royal Dutch Shell 'B'SHS EUR0.07	5,678	1.03	15,470	2.06
GlaxoSmithKline ORD GBP0.25	11,373	2.06	13,865	1.84
Aberdeen Fund Core Plus Index Linked Bond Fund 1-2 GBP ACC	12,496	2.26	13,524	1.80
UBS Triton Property Unit Trust	13,250	2.40	12,926	1.72
UBS Life Asia Pacific Equity Fund A Units	0	0	11,617	1.54
Rio Tinto ORD GBP0.10	4,836	0.88	10,164	1.35
ACMBVI Emerging Markets	5,500	1.00	8,059	1.07
Anglo American USD0.54945	2,600	0.47	7,922	1.05
Barclays ORD GBP0.25	3,733	0.68	7,739	1.03
Tesco ORD GBP0.05	5,286	0.96	6,253	0.83
Majedie Asset Management SPEC SITS INV B NAV	2,558	0.46	5,172	0.69
	185,660	33.63	311,897	41.43

The table overleaf shows a detailed breakdown of the investments held by the Pension Fund (excluding cash) at the end of 2008/09 and 2009/10:

	2008/09		2009/10	
	£'000	£'000	£'000	£'000
UK EQUITIES				
Resources				
Mining	16,714		28,659	
Oil & Gas	39,361		46,863	
Basic Industries				
Chemicals	0		805	
Construction and building materials	1,479		1,631	
Diversified industrials	0		0	
Forestry and paper	0		216	
Steel & other metals	0		0	
General Industrials				
Aerospace and defence	2,876		6,700	
Electronic and electrical equipment	2,174		1,239	
Engineering and machinery	2,499		3,159	
Cyclical Consumer Goods				
Automobiles and parts	1,039		858	
Household goods and textiles	1,376		713	
Non-Cyclical Consumer Goods				
Beverages	3,033		5,363	
Food producers and processors	9,019		8,599	
Health	0		217	
Pharmaceuticals	17,485		21,157	
Personal care and household products	178		0	
Tobacco	5,600		9,337	
Cyclical Services				
General retailers	5,359		5,449	
Leisure, entertainment and hotels	5,012		4,761	
Media and photography	4,839		8,037	
Support services	6,713		8,904	
Transport	931		2,941	
Non-Cyclical Services				
Food and drug retail	7,054		8,435	
Telecommunication services	16,212		20,242	
Utilities				
Electricity	2,316		1,859	
Gas Water & Multiutilities	6,188		6,292	
Financials				
Banks	15,674		31,235	
Insurance	4,330		2,621	
Life assurance	3,467		5,904	
Real estate	1,067		2,520	
Financial General	4,318		7,249	
Information Technology				
Information technology hardware	269		1,111	
Software and computer services	2,195		3,693	
Total UK Equities		188,777		256,769
UK UNIT TRUSTS				
Small companies	5,076		9,476	
Total UK Unit Trusts		5,076		9,476
OVERSEAS EQUITIES				
United States	77,025		101,704	
Japan	24,951		36,280	
Europe	68,229		89,231	
Pacific Region	18,109		37,797	
Developing markets	27,777		32,882	
Total Overseas Equities		216,091		297,894

Fixed Interest Securities UK – Public Sector quoted	1,851	19,175
Fixed Interest Securities UK – Corporate quoted	65,203	78,132
Fixed Interest Securities Overseas – Public Sector quoted	3,954	0
Fixed Interest Securities Overseas – Corporate quoted	1,820	0
Index Linked Securities UK – Public Sector quoted	5,955	0
Index Linked Securities UK – Corporate quoted	12,842	48,620
UK Unit Trusts - Property	34,829	20,161
UK Cash & Money Market Instruments	8	0
Private Equity	15,998	22,241
Venture Capital Funds	134	245
Total Value of Investments	552,538	752,713

During the year the Fund purchased investments totalling £325.2m (2008/09 - £318.3m) and sold investments to the value of £328.7m (2008/09 - £290.4m). The realised profit amounted to £11.2m (2008/09 £70.3m loss).

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 Income and Expenditure 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 "presents a true and fair view" of 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.

or:

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.

IFRIC

International Financial Reporting and Interpretations Committee

IFRS

International Financial Reporting Standards

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.

LSVT

"Large Scale Voluntary Transfer" is the disposal of local authority housing stock to an existing or new Registered Social Landlord.

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.

Service Concession Arrangement

An arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets such as roads, bridges, tunnels, airports, energy distribution networks, prisons or hospitals. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement

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.

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.