



2019/2020

**Audited
Statement of Accounts**



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The Council's Statement of Accounts for the year 2019/20 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2019/20. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

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THE NARRATIVE REPORT BY CHRISTINA THOMPSON

CHIEF FINANCE OFFICER



Introduction

These Statement of accounts have been prepared under unprecedented circumstances as the COVID pandemic has swept across the globe tragically resulting in loss of lives, economic hardship for individuals and businesses and suffering for many. In a very short space of time the Council has had to meet an increase in demand for its services from all sides, whilst contending with the challenges posed by the pandemic to the council's own workforce, to our key workers on the front line and with large numbers of our workforce working from home.

The way the Council has come together during this crises has been exceptional. Within days of the crises the council had set up the Borough Emergency Control Centre (BECC) to manage and co-ordinate key decisions relating to COVID. Throughout the crises the council has continued to provide 100% of critical services to over 300,000 residents in the borough. At the time of writing this report, a few key achievements of the Council during the crises include:

- Distributing over 10,000 food and care packages to vulnerable people
- Enlisted and verified over 1,000 volunteers
- Provided 3 months rent relief for over 300 businesses and VCS tenants
- Paid over £40m of eligible business grants to local businesses
- Setup 2 new helplines for our residents and businesses covered by staff volunteers
- Stopped evictions and enforcement action for council tenants and council tax arrears
- Found accommodation for over 100 people who were sleeping rough
- Kept 44 schools open for the children of key workers
- Lower than 2% staff illness due to COVID-19
- Agreed £500k more funding for emergency support scheme for residents at immediate risk and £1m for discretionary housing payments.
- Working with local hospitals to ensure capacity to meet the needs of additional COVID-19 patients
- Supported health and care providers to access PPE, advice and key worker testing

COVID-19 will have a significant financial impact and with these accounts prepared to the 31 March, it is still too early to quantify exactly what this will be. Aside from costs the council has directly incurred such as the cost of PPE, food packages, rental reliefs, additional temporary accommodation to tackle homelessness to name a few, the council has been working with suppliers and providers who have found themselves with financial pressures because of COVID-19. In Adult Social Care in particular there has

been an increased pressure to discharge people from hospitals into residential homes with providers facing increased costs.

During the lockdown there has been a fall in income from event bookings, parking etc due to the reduction in economic activity. As individuals and businesses face hardship debts such as those relating to council tax, business rates, rental income and sundry debt are harder to collect and indeed the council has reduced its debt collection activity. Council Tax Support applications have increased and business rate reliefs have been provided for the retail, leisure and hospitality sector.

The council has received funding from Central Government for some of these costs, including two revenue grants totalling £19.6m. However, latest projections at this early stage suggest that this funding will not fully cover the budget pressure the council is expecting to face in the next financial year and councils continue to seek assurance from government that pressures faced resulting from COVID-19 will be fully funded. A Medium Term Financial Strategy report is being prepared for Cabinet in July 2020 which will update on the financial position the council is facing arising from the pandemic.

Medium Term Financial Strategy (MTFS) 2020/21 to 2023/24

The last update to the Medium Terms Financial Strategy was presented to Cabinet and Council in February 2020. Covid-19 aside, councils already faced a very challenging time following a decade of unprecedented reductions in funding and continuously increasing demand pressures. Furthermore there are significant uncertainties regarding how councils will be funded going forward with a one year spending round announced for 2020/21 by Government and the Fair Funding review still under consultation. Not having a clear idea on our funding going forward makes planning for the future more difficult.

One fundamental change was announced in the spending round to apply from 2020/21 onwards relating to Business Rates. The London Business Rates Pilot pool was not continued for next year and funding reverts to 2017/18 levels with Lambeth share as 30%, GLA share as 37% and Central Government share as 30%. For 2020/21, all London boroughs and the GLA will form a Business Rates pool based on 67% retention enabling council to retain 67% retention and 67% growth in the base. Progress on this will be monitored over the next year.

The main objectives of our MTFS are:

- Prioritise our resources in-line with the Council's Borough Plan, and to ensure we achieve our four goals.
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position.
- Provide a robust framework to assist the decision making process within the Council.
- Manage the Council's finances with a forward looking four year rolling strategy.
- Deliver value for money to our tax payers
- Exercise probity, prudence and strong financial control.
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level as agreed by the S151 Officer.
- Continually review budgets to ensure resources are targeted on our key priorities.

Savings

In February the funding gap was £28.023m over the MTFS and total agreed savings amounted to £28.023m. Therefore, the Council had a balanced budget over the MTFS period.

Table 1 Budget Gap by Year and Savings Agreed

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Total Funding Gap as per MTFS	9,821	9,396	7,806	1,000	28,023
Total Agreed Savings	(9,821)	(9,396)	(7,806)	(1,000)	(28,023)
Revised Funding Gap/(Surplus)	0	0	0	0	0

The MTFS will be reviewed during the year and the impact of COVID-19 will be assessed. The MTFS will be updated as appropriate and will be reported to Cabinet in July and November. A key risk to the MTFS is the delivery of savings and this is captured in the corporate risk register. The monitoring and delivery of savings is part of regular budget monitoring by Management Board and Cabinet.

Funding

Whilst our spending power is forecast to stay reasonably constant to 2023/24, albeit with proportional changes, in real terms it is still reducing as the Financial Settlement does not take account of rising costs. We must manage and fund a number of pressures, which are directly linked to demographic growth and demand led pressures within the borough.

Current government funding formulas do not take account of these pressures and are therefore not accounted for within the Financial Settlement. The demand led pressures within Adult Social Care, Children Services and Temporary Accommodation continue to grow, and we have built assumptions around these key areas within our Medium Term Financial Strategy, however, as we have seen in recent years the demand led pressures continue to grow beyond assumptions. These assumptions will be impacted by COVID-19.

The absolute values of our forecast funding position are set out in the table below.

Table 2 Spending Power 2020/21 to 2023/24

Funding Source	2020/21 £000	2023/24 £000
Revenue Support Grant	32,207	0
Business Rates	112,983	145,655
Council Tax	130,430	144,265
Better Care Fund	14,507	14,507
New Homes Bonus	8,209	1,829
Social Care Support Grant	9,338	2,578
Total Cash Limit	307,674	308,835

With Government preoccupied with COVID-19 and Brexit, local areas will need to work in partnership to show the creativity and drive to reform public services and enable places and communities to meet the challenges ahead. Lambeth, as a key player within London, with its capacity for growth and change, its diverse and dynamic population, and its world-class partnership potential, is well-placed to make this a reality albeit within uncertain times..

Looking Ahead

There remain a number of budgetary risks over the medium term. A brief commentary on the key risks faced by the Council are outlined below:

Climate Emergency

In January 2019 the council declared a climate emergency and committed to make the council's operations carbon neutral by 2030. The council also agreed to establish a citizen's assembly to work with residents on a plan to significantly reduce carbon emissions across the borough, and ensuring that Lambeth plays its part in helping London, and the UK, reach its climate change goals and deliver the outcomes within the borough plan.

In order to fund the activities associated with this initiative, resources have been identified and set aside to create an earmarked reserve to cover the first 2 years of the programme.

Adult Social Care

Adults Social Care has been managing a number of significant financial risks which have arisen from a population that have increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of services. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care with the provision of increased funding in the 2017 spring budget announcement, winter pressures funding and other non-recurrent funding. Increased resources have been confirmed again for 2020/21 but as yet not beyond then. Although welcome, the extra funding does not provide a financially sustainable care system and the longer-term response to the issues that social care faces. COVID-19 has had a profound effect on resources and capacity across social care and has seen an increase in the responsibilities placed on councils providing Adult Social Care which increases the need for a sustainable funding solution.

A new model is promised on how the government proposes to improve care and support for older people and tackle the challenge of an ageing population. As social care is a significant part of the Council's budget, proposals on how any new funding system will be sustainable and responsive to increases in costs will be critical for the financial sustainability of the Council as a whole. The new model, when published, is likely to look at the funding that individuals contribute to their own care and any significant changes are likely to be complex and result in large costs nationally that require the use of mechanisms to increase funding locally that result in cost pressures for individual local authorities.

Public Health

Lambeth, along with other upper tier authorities receives an annual ring-fenced Public Health Grant to fulfil its duty to improve the health of people in the area and specifically to deliver its public health duties. The ring-fenced Public Health Grant is based on historic funding in the NHS which transferred to Councils. Following the 2015 election, the Government announced in-year cuts of 6.2% to Public Health

which totalled a reduction of £1.9m for Lambeth in 2015/16 and £0.7m in 2016/17. Over the 2017/18 to 2019/20 period, the grant was further reduced by £2.5m. In addition, opportunities have been taken to widen the scope of the Public Health Grant to fund appropriate General Fund services that have been identified as falling within the definition of Public Health expenditure.

Increasingly the response to the COVID-19 outbreak has fallen to local Public Health teams putting pressure on resources and capacity. It is unlikely that this will reduce during the pandemic period and although a general increase in Public Health funding has been announced for 2020/21, it will not be sufficient to cover the increased demand.. A range of saving proposals are being implemented to remain within the grant allocation and manage underlying pressures

Children's Social Care

Children social care budgets are under significant pressure and this is unlikely to reduce. There are a number of factors that are driving these cost pressures across the two main service areas of Children Looked After and Children with Disabilities (CWD). Both areas are finding that new children and young people being presented to the services have significant complex needs that require specialist placements, and which incur high costs. As a London borough, we are somewhat hampered in our negotiations on placements, it is a supplier market and we are in constant competition for places with our neighbouring boroughs.

In addition, the cohort of young people entering the Children Looked After service are now older than we have seen in the past, and are not always suitable for lower cost fostering placements. Instead we need to find semi-independent living for these young people and because they frequently have a variety of complex needs, involving mental health, substance abuse issues and gang affiliation, finding suitable placements for them which deliver good outcomes and demonstrate value for money continues to be a challenge for the council.

The CWD budget is also under increasing pressure, with a rise in demand and need, because of new legislation, reforms and policy, together with enhanced expectations. To put this into perspective, the number of CWD supported children has increased by almost 100 in one year, and this trend is expected to continue. Medical advances have also increased life expectancy for babies born with complex disabilities and congenital conditions, which alongside change in legislation is driving the increase in demand for CWD services.

We have seen an increase in the number of Unaccompanied Asylum Seeking Children and although we do receive grant funding, it is not sufficient to cover the full cost incurred. There is also a shortfall in the Remand Grant, because the length of time some of our young people are expected to be on remand for is above the average, this has also resulted in a cost pressure, which we forecast will continue in future years.

The vast majority of London boroughs are experiencing similar cost pressures and is fast becoming a national issue, which Central Government has started to acknowledge by way of one-off social care grant funding. Although this funding is very welcome, it is not sufficient to cover the multiple cost pressures within Children's Social Care now and in future years.

Dedicated Schools Grant

The Department for Education has confirmed the initial allocation of the Dedicated Schools Grant for 2020/21. The gross DSG includes the funding top-sliced (recouped) the Education and Skills Funding Agency for academies and high needs sixth form provision.

Table 3 Dedicated Schools Grant Funding

Block	DSG 2019/20 (October 2019 notification) £m	Movement £m	DSG for 2020/21 Financial year £m
Schools Block	211.612	1.213	212.825
Central School Services Block	1.042	0.013	1.055
Early Years Block	29.781	0.033	29.814
High Needs Block	42.724	4,377	47.101
Total	285.159	5,636	290.795

The Schools Block allocation has increased by £1.2m, but this is one of the lowest increases in the country, at a time when school funding is being increased. The DfE is continuing to introduce the national funding formula (NFF) for mainstream schools and Lambeth is the fourth highest funded per pupil for both primary and secondary. The NFF, however, is intended to have a redistributive effect, particularly for those authorities with very low per pupil allocations.

Temporary Accommodation

Numbers of households in temporary accommodation (TA) are growing nationally and London-wide, and this trend is reflected in increasing demand in Lambeth. In the first nine months of the year, the overall temporary accommodation numbers increased by over 6%, with nightly rate placements increasing by 11.3%. This increase has continued despite the increased use of properties on regeneration estates and conversion of council buildings for use as temporary accommodation. Without these measures, costs would be significantly higher.

The levels of demand for TA is expected to continue to increase with the majority of this being provided by properties charged at nightly rates. COVID-19 has seen demand rise particularly as a result of the drive to move rough sleepers off the streets and into accommodation. This will leave councils like Lambeth with an increased pressure on TA budgets. There is an urgent need to consider financing alternative models of TA provision that will enable the council to reduce its reliance on expensive nightly booked accommodation and relieve budget pressure.

Fair Funding Review

The Fair Funding Review is due to take effect from 2022/23 (delayed a year due to COVID-19), and this will also be the first year of 75% Business Rates Retention outside of current pilot pooling arrangements. This will mean that in that year RSG and possibly the Public Health grant will get rolled into Business Rates Retention, and Council's will be able to retain 75% of growth in the base. The intention of this is to increase local control over local income without the need for primary legislation, whilst having more accurate funding forecasts due to the improvements in the way the funding is allocated.

In 2022/23 the Business Rates baseline will be reset as part of the Fair Funding Review, and this will result in winners and losers, however, until the Fair Funding Review is finalised, we just don't know what this will mean for Lambeth. The Fair Funding Review is still in the early stages of discussion and consultation, but there is a commitment to ensure the system of allocation is simplified, is transparent,

based on the most up to date data, responds to both current and future demand, takes account of the best possible objective analysis and is in line with the multi-year Settlements including transitional arrangements. With this level of uncertainty, the gains from Business Rate Retention pilots are being held in the business rate reset mitigation reserve to dampen any adverse effects.

The underlying level of need has not been updated since 2013/14, so our funding allocation in 2020/21 is based on a needs assessment which will be seven years old, and with the significant demographic changes that have been experienced across inner London in that period, it is no surprise that the needs allocation and indicators require review and update. We will not know the impact of the Fair Funding Review until potentially the 2020 Spending Review due late this year.

New Homes Bonus (NHB)

Although our 2020/21 NHB allocation is £8.020m, this will not give rise to any legacy payments beyond 2020/21. This was part of the technical consultation in October 2019 and the relevant adjustments have already been made in our MTFS. The baseline of 0.4% is still applicable, but this is not a concern for Lambeth, as our tax base continues to increase well above this baseline. A consultation on the future of NHB is expected in the spring of 2020.

Reserves

The council retains a level of earmarked reserves to fund exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme. There are also reserves for specific government funding that is carried forward from year to year.

The council planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.

During the year the Council has increased the amount held in earmarked reserves, demonstrating strong financial planning and management. The main factors that enabled the Council to do this are:

- One-off Business Rates income from being part of the London Pool Business Rates Retention pilot. The Government has discontinued this pilot for 2020/21.
- Financing costs on borrowing being lower than forecast due to the profile of spend on capital projects and redress scheme payment
- Grant funding for COVID-19 pressures provided by Central Government for the 2020/21 financial year paid in advance at the end of March.

In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. Reserves have increased in readiness for investment in better quality housing, fire risk assessment works and to deal with potential risks.

Table 4 General and Earmarked Reserves

Reserves	Balance at 31/03/2018 £'000	Balance at 31/03/2019 £'000	Balance at 31/03/2020 £'000
General Fund Balance	(22,851)	(21,308)	(21,308)
GF Earmarked Reserves	(48,935)	(73,038)	(96,531)
General Fund Total	(71,786)	(94,346)	(117,839)
HRA Balances	(10,750)	(10,767)	(11,506)
HRA Earmarked Reserves	(44,390)	(46,923)	(48,590)
HRA Total	(55,140)	(57,690)	(60,096)
Council Total	(126,926)	(152,036)	(177,935)

Capital Investment Programme (CIP) - Growth and Funding

The Council currently has £395.9m of approved schemes till 2020/21. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes.

It is expected that the main sources of capital funding in future years will be Community Infrastructure Levy (CIL) and Section 106 contributions from development and prudential borrowing. In developing the CIP for coming years, the Council will need to consider the impact on revenue budgets of borrowing to finance its capital priorities, as borrowing costs represent a pressure on revenue unless the capital project generates an income stream. The Council will continue to seek external funding where possible, however in line with other funding from central government, capital grants are also expected to reduce in coming years. CIL receipts remain relatively healthy, although this income cannot be guaranteed it is dependent on the level of development activity within the Borough which will be affected by external factors outside of the Council's control.

Table 5 CIP from 2019/20 to 2021/22 and pipeline at 31 March 2020

Priority	Goal	2019/20 Revised Budget £000s	2020/21 Revised Budget £000s	2021/22 Revised Budget £000s	Total CIP £000s
Enabling growth and development in the borough	We will ensure that residents have access to well-designed and truly affordable housing.	114,613	1,209	1,000	116,821
	Housing Development Projects	112,052	209	0	112,261
	Housing Development Projects (HRA)	1,560	0	0	1,560
	Investment in Empty Properties	0	0	0	0
	Investment in Empty Properties (HRA)	1,000	1,000	1,000	3,000
	We will encourage sustainable development and grow Lambeth's presence as a location for creative and digital industries, health and life sciences, business and financial services, and tourism.	5,331	0	0	5,331
	Investment in Community Workspace	5,331	0	0	5,331
	We will continue to pursue transport improvements that allow residents equality of access to centres of growth	15,375	0	0	15,375
	Strategic Transport Infrastructure	5,627	0	0	5,627
	Resurfacing of Footways and Carriageways	8,794	0	0	8,794
	Investment in Cycling Infrastructure	954	0	0	954

Priority	Goal	2019/20 Revised Budget £000s	2020/21 Revised Budget £000s	2021/22 Revised Budget £000s	Total CIP £000s
Ensuring that the benefits of growth increase community resilience	We will invest in peoples' skills, life-long learning and networks to equip them with the capabilities they need to benefit from London's economy.	21,178	12,356	0	33,535
	We will improve educational achievement and close the gap in education outcomes for those more disadvantaged pupils and those from underperforming groups.				
	Expansion and Enhancement of Primary Schools	9,860	12,356	0	22,216
	Expansion and Enhancement of Secondary Schools	2,648	0	0	2,648
	Investment in Education Projects	8,670	0	0	8,670
	We will maintain and invest in the assets our communities need to be more resilient.	708	0	0	708
Reform the way we commission and deliver services with our partners to provide and promote care and independence	Creation and Enhancement of Community-run Buildings	708	0	0	708
	We will support children with Special Educational Needs and Disabilities (SEND) to lead fulfilling lives, with equality of access to opportunities that improve their life chances and empower them to be the best they can be	2,508	486	0	2,994
	Expansion and Enhancement of Special Educational Needs Facilities	2,508	486	0	2,994
	We will support people to live longer and healthier lives.	1,298	0	0	1,298
	Community Health Projects	1,298	0	0	1,298
	We will ensure that older, disabled and vulnerable people in Lambeth are able to live healthy independent lives, getting the support when they need it most, while promoting personal and community resilience.	10,536	6,027	1,100	17,663
	Home Improvements for Vulnerable Residents	3,776	0	0	3,776
	Home Improvements for Vulnerable Residents (HRA)	1,100	1,100	1,100	3,300
	Improvement of Social Care Provision	5,660	4,927	0	10,586
	We will manage Lambeth's neighbourhoods and town centres so that they feel safe and welcoming.	28,126	316	100	28,542
Making Lambeth a place where people want to live, work and invest	Lambeth Town Centres' Regeneration	9,285	122	100	9,507
	Enhancement of Streetscapes and Public Spaces	18,021	194	0	18,215
	Community Safety Projects	821	0	0	821
	We will maintain attractive neighbourhoods with high quality leisure and cultural facilities that support and encourage healthier lifestyles.	7,742	174	0	7,916
	Investment in Culture and Heritage	679	0	0	679
	Investment in Leisure Centres	5,005	0	0	5,005
	Investment in Libraries and Community Hubs	1,217	174	0	1,390
	Enhancement of Crematoria & Cemeteries	842	0	0	842
	We will improve the quality of housing in the social and private rented sector.	50,840	48,000	42,000	140,840
	Investment in Lambeth Housing Standard Boroughwide (HRA)	50,840	48,000	42,000	140,840
	We will maintain Lambeth's award winning parks, and invest in a wider network of green spaces to support community activity and wellbeing.	6,729	0	0	6,729
	Investment in Parks and Open Spaces	6,729	0	0	6,729
	We will reduce our carbon emissions, significantly cut waste and encourage reuse by residents and businesses	17,188	920	0	18,108
	Investment in Waste and Recycling	9,313	920	0	10,233
	Enhancement of Street Lighting	1,330	0	0	1,330
	Investment in Corporate Office Accommodation	2,029	0	0	2,029
	Improvement of Council IT Infrastructure	4,517	0	0	4,517
Grand Total		282,173	69,487	44,200	395,860

As there remains considerable uncertainty around how exactly the country will exit the European Union, there is the potential for a knock-on impact on construction and housing and commercial property markets. As the Council continues to progress a number of significant regeneration projects across the Borough, it will need to be mindful of the risks involved as it develops the CIP further. Despite this uncertainty, it is sensible for the Council to continue to look for opportunities to develop Council owned sites and acquire new assets, as in addition to providing much new housing and employment

opportunities for residents, by growing the Council Tax and Business Rates base, additional income can be generated to support wider service provision.

The Council expects most of its Investment in Housing to be made through its wholly owned Housing Company, Homes for Lambeth, and as the funding here will be in the form of loans, it does not directly impact on the CIP. However, it is important that the risks relating to development are monitored in a similar way to projects within the CIP. As the government has recently lifted the HRA Borrowing Cap, the Council will review opportunities for Housing Development within the CIP. However, the opportunities to do so remain constrained by the availability of land and recent imposed cuts in rent levels which make it more difficult for developments to repay borrowing costs.

In addition to development opportunities, the CIP contains significant funding for maintaining existing Housing stock, as well as continuation of investment in roads and parks following on from the funding to upgrade these assets in the previous funding period.

During 2018/19, the Council was given approval by the Ministry of Housing, Communities and Local Government (MHCLG) to fund the costs of the Redress Scheme for historic child sex abuse in Lambeth children homes from capital sources. Although this does not directly form part of the CIP, it does impact on the wider availability of capital funding.

Table 6 Financing the CIP 2018/19 to 2020/21

Funding Source	Total 3 Year CIP	
	£000's	%
Grants	(48,740)	12%
S106	(15,882)	4%
Internal & External Borrowing	(143,684)	36%
Major Repairs Reserve	(101,105)	26%
S20 Receipts	(22,846)	6%
Capital Receipts	(36,025)	9%
Recycled RTB (1-4-1) Receipts	(10,898)	3%
CIL	(14,430)	4%
Capital Reserve	(45)	0%
Earmarked Reserve	(1,763)	0%
Revenue Contribution	(442)	0%
Total	(395,860)	100%

Borrowing

The Council has long term borrowing of £591.7m all sourced from the Government owned Public Works Loan Board.

It should also be noted that the Council holds long-term creditors of £90.7m which relate to arrangements for service concessions (finance leases or PFI), most of which is paid for by PFI grants received from central government.

HRA Self-Financing

The HRA is constrained by its ability to service and afford any new borrowing it undertakes. The HRA 30-year Business Plan indicates that the affordability of increased borrowing is the more immediate pressure. Government policy on rent reductions combined with the disposal of high value stock will have an impact on the financial viability of the Housing Revenue Account and its ability to service any additional borrowing. Consideration will need to be given to a future rent policy, which aligns with the 30-year business plan, in order to maintain and service the Housing Portfolio.

Pension Fund Revaluation and Pension Liability

The triennial valuation of the Pension Fund took place in 2019, which outlined the contribution rates required by the Council in future to meet its Pension scheme liabilities. The contribution rates come into effect on 01 April 2020 and will remain in place until the next valuation i.e. 31 March 2023.

Within the Fund, the net assets reduced from £1.483bn to £1.452bn, reflecting the volatile market conditions in the UK and globally especially towards the end of the year as a result of COVID-19.

The net pension liability of the Council is broader than that of the Pension Fund, because it includes liabilities relating to employees with pensions managed by the London Pension Fund Authority (LPFA). This overall liability has decreased from £775m to £562m however, this is more the result of a change in the actuarial assumptions. Please see the Pension Fund accounts for more details.

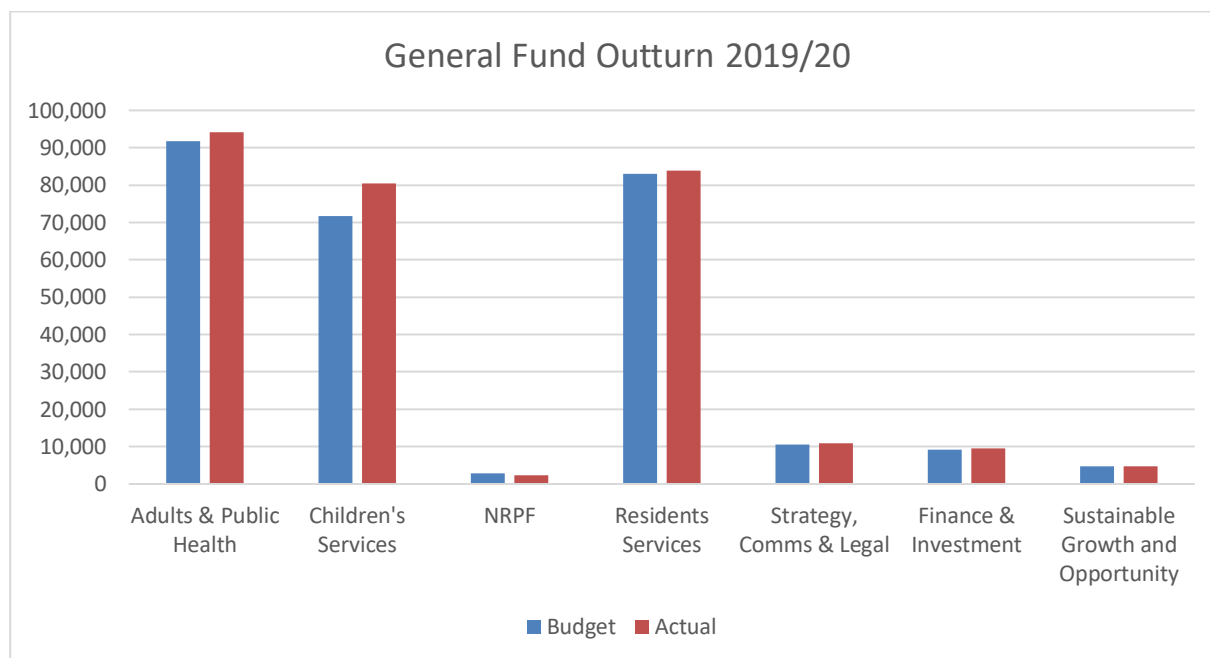
Summary of Financial Performance in the Year

2019/20 Revenue Outturn – General Fund

Service budgets totalled £273,924k and outturn was £12,002k over budget. In-year reserves were utilised to balance the position for the Council.

The outturn by department is as below:

Table 7 General Fund Service Outturn against Budget 2019/20



A summary of the key overspending variances to budget is set out below.

- Children's Services had an overspend of £8.8m of which £6.6m related to Social Care Placements and the remainder predominantly due to an overspend in Special Education Needs (SEN) Transport.
- Adult Services had an underlying forecast overspend of £9.4m mostly offset by one off Government funding which has been confirmed for 2020/21. This leaves a residual overspend of £2.4m. The overspend is due to pressures in Integrated Disabilities and Older People's homecare costs
- Financing and investment had a £0.4m underspend in Finance and Property due bank charges fees.
- Residents Services had pressures of £1.8m relating to overspends on temporary accommodation Bed & Breakfast costs. These were netted off by additional income collected in year from fees and charges

In-year reserves utilised included additional one-off business rates income from the retention pilot of the London Pool, which the government has discontinued for 2020/21. Grant funding from Government, including COVID-19 funding, was received in March and some of this was applied. The Council also did not spend as much as expected on debt financing costs due to the profile of capital expenditure and redress scheme payments.

2019/20 Revenue Outturn – Housing Revenue Account

The Housing Revenue Account achieved a slight favourable outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £11.5m together with total earmarked reserves of

£48.6m – the reserves are to contribute to future capital works, preparation for long-term planning and fire risk assessment works.

2019/20 Capital Outturn

The Authority spent £230.5m in 2019/20. Unspent funds have been rolled forward to fund revised expenditure projections for future years.

The details of Capital Expenditure in 2018/20 by Directorate are shown below:

Table 8 Capital Outturn 2019/20

Priority	Goal	Total CIP £000s	
Enabling growth and development in the borough	We will ensure that residents have access to well-designed and truly affordable housing.	74,603	
	Housing Development Projects	73,638	
	Housing Development Projects (HRA)	33	
	Investment in Empty Properties	0	
	Investment in Empty Properties (HRA)	932	
	We will encourage sustainable development and grow Lambeth's presence as a location for creative and digital industries, health and life sciences, business and financial services, and tourism.	799	
	Investment in Community Workspace	799	
We will continue to pursue transport improvements that allow residents equality of access to centres of growth	We will continue to pursue transport improvements that allow residents equality of access to centres of growth	5,064	
	Strategic Transport Infrastructure	240	
	Resurfacing of Footways and Carriageways	4,332	
	Investment in Cycling Infrastructure	492	
Ensuring that the benefits of growth increase community resilience	We will invest in peoples' skills, life-long learning and networks to equip them with the capabilities they need to benefit from London's economy.	8,708	
	We will improve educational achievement and close the gap in education outcomes for those more disadvantaged pupils and those from underperforming groups.		
	Expansion and Enhancement of Primary Schools		1,737
	Expansion and Enhancement of Secondary Schools		1,585
	Investment in Education Projects	5,387	
	We will maintain and invest in the assets our communities need to be more resilient.	14	
	Creation and Enhancement of Community-run Buildings	14	
Reform the way we commission and deliver services with our partners to provide and promote care and independence	We will support children with Special Educational Needs and Disabilities (SEND) to lead fulfilling lives, with equality of access to opportunities that improve their life chances and empower them to be the best they can be	1,239	
	Expansion and Enhancement of Special Educational Needs Facilities	1,239	
	We will support people to live longer and healthier lives.	1,272	
	Community Health Projects	1,272	
	We will ensure that older, disabled and vulnerable people in Lambeth are able to live healthy independent lives, getting the support when they need it most, while promoting personal and community resilience.	2,742	
	Home Improvements for Vulnerable Residents	1,585	
Home Improvements for Vulnerable Residents (HRA)	946		
	Improvement of Social Care Provision	211	
Making Lambeth a place where people want to live, work and invest	We will manage Lambeth's neighbourhoods and town centres so that they feel safe and welcoming.	14,506	
	Lambeth Town Centres' Regeneration	1,706	
	Enhancement of Streetscapes and Public Spaces	12,586	
	Community Safety Projects	214	

Priority	Goal	Total CIP £000s
	We will maintain attractive neighbourhoods with high quality leisure and cultural facilities that support and encourage healthier lifestyles.	2,140
	Investment in Culture and Heritage	56
	Investment in Leisure Centres	1,238
	Investment in Libraries and Community Hubs	397
	Enhancement of Crematoria & Cemeteries	449
	We will improve the quality of housing in the social and private rented sector.	43,651
	Investment in Lambeth Housing Standard Boroughwide (HRA)	43,651
	We will maintain Lambeth's award winning parks, and invest in a wider network of green spaces to support community activity and wellbeing.	2,468
	Investment in Parks and Open Spaces	2,468
	We will reduce our carbon emissions, significantly cut waste and encourage reuse by residents and businesses	5,889
	Investment in Waste and Recycling	920
	Enhancement of Street Lighting	1,164
	Investment in Corporate Office Accommodation	952
	Improvement of Council IT Infrastructure	2,853
	Redress Scheme capitalised payments	67,412
	Grand Total	230,508

2019/20 Financing the Capital Investment Programme

- £19.4m of grant monies (£26.3m in 2018/19)
- £30.2m (£40.1m in 2018/19) of internal reserves and revenue contributions (including via the Major Repairs Reserve)
- £18.7m of proceeds from the disposal of Council assets (£26.1m in 2018/19)
- £146.3m from internal and external borrowing against cash balances (£56.2m in 2018/19)
- £10.3m from developers' contributions (£6.9m in 2018/19)
- £5.6m from Section 20 receipts (£7.1m in 2018/19)

Performance

Performance Data as at Q4 2019/20

Performance progress is reported against three types of indicators

- **Tier 1: Borough Plan KPIs** – these give an understanding as to the achievement of the four main objectives in the Borough Plan. Some measures are within the Council's direct control, but most are not, they are nonetheless important as they give an understanding of the wider wellbeing of the borough
- **Tier 2: Priority Service KPIs** – these give an understanding as to the achievement of the four main objectives of the Borough Plan as well as an additional 'enabling' objective, which are within the Council's direct control

- **Tier 3: Service Performance Indicators** – these are concerned with monitoring the Council's performance and are aligned with service priorities. These are monitored by Directorate Leadership Teams; poor performing PIs are escalated to Management Board

Performance overview









































Tier 1: Borough Plan Key Performance Indicators

An overview of the performance can be seen below.

Borough Plan performance:

RAG status				
	Q1	Q2	Q3	Q4
Green	26	23	25 (50%)	26 (52%)
Amber	5	4	5 (10%)	6 (12%)
Red	1	3	2 (4%)	2 (4%)
Data only	9	16	15 (30%)	15 (30%)
Unknown	10	5	3 (6%)	1 (2%)

Performance by Borough Plan Objectives:

Borough Plan 2019/20			
Sustainable Growth	Resilient Communities	Independence	Place
 1.1 Fair jobs 	 2.1 Early years 	 3.1 Support SEND children 	 4.1 Town Centers 
 1.2 Affordable housing 	 2.2 Life-long learning and education 	 3.2 Vulnerable children and families 	 4.2 Leisure and cultural facilities 
 1.3 Innovative industries 	 2.3 Serious youth violence 	 3.3 Mental health and wellbeing 	 4.3 Housing quality 
 1.4 Transport 	 2.4 Early intervention and resilience 	 3.4 Health and support 	 4.4 Parks and green spaces 
 1.5 Community facilities 	 2.5 Community assets 	 3.5 Vulnerable adults 	 4.5 Environmental impact 

A slight improvement was seen in quarter 4 compared to the previous quarter. With the following indicators being of note;

Green to Amber	<p><i>PROC001 Percent of contracts awarded which are London Living Wage</i></p> <p>This indicator has dropped to 98.73% against a target of 100%, due to one contract of the 79 contracts let since to April 2019 not paying a living wage.</p>
Remained Green	<p><i>SE111 Number of private dwellings and HMOs improved to compliance with statutory Housing Act standards</i></p> <p>Very strong performance can be seen against this indicator, and the service has exceeded its annual target of 220 homes improved, achieving improvements to 397 homes. The data shows that the work of the service has a demonstrable impact on people's lives. These are people's homes that are improved in terms of the standards expected, overcrowding and how these homes are managed, which has a direct impact on people's health, safety and welfare.</p>
Green to Red	<p><i>EI61 Commercial floor space (tracking overall net gains or losses of B1 overall)</i></p> <p>Whilst the outturn shows a net loss in B1 floorspace it is important to note that there is a time lag and this data relates to 2018/19 and will not be updated in full until the autumn of 2020. In addition, it is worth noting that during this period there was a different planning policy approach, since then the Council has significantly strengthened its planning policies to protect and increase B1 space. As such, there is confidence that this indicator will more consistently show a net increase of B1 space year on year.</p>
Red to Green	<p><i>RI.30 First Time Entrants To The Youth Justice System aged 10-17 (per 100,000 population)</i></p> <p>An improvement in performance can be seen this quarter, and local data indicates that the number will continue to improve in the next reporting period. The comparative performance of the Youth Offending Service improved against;</p> <ul style="list-style-type: none"> • London Youth Offending Teams (YOTs) from 30th to 18th out of 31 YOTs, • Inner London - from 13th to 6th out of 13 YOTs, • Statistical neighbour group - from 11th to 3rd out of 11 YOTs. <p>Nationally, the YOS improved from 132nd to 99th out of 137 YOTs.</p>

Tier 2: Priority Service Key Performance Indicators

A total of 39 measures have been identified as Tier 2 Priority Service KPIs. These KPIs are a mixture of different types of measures and contain indicators that are important to the Council because they either: a) give an assessment of resident satisfaction; b) are aligned to a high risk or corresponding cost; c) are a statutory requirement; d) make a strong statement about the Council's wider effectiveness; and e) demonstrate equalities and making a contribution to building a fairer society.

The breakdown of the latest available performance can be seen below.

RAG status				
	Q1	Q2	Q3	Q4
Green	12	13	15 (37.5%)	13 (33.33%)
Amber	13	12	7 (17.5%)	10 (25.64%)
Red	12	10	12 (30%)	13 (33.33%)
Data only	3	3	3 (7.5%)	3 (7.69%)
Unknown	0	2	3 (7.5%)	0

Performance by Borough Plan Objectives:



1.1 Performance indicators of note are;

Green to Amber	<p><i>RI.63 Proportion of people in residential / nursing / Supported Living reviewed during the year who received services for 12 months +</i></p> <p>The year-end target has narrowly been missed by 28 people but performance has significantly improved from the previous year and should be noted, with a quarter outturn of 75.66% for this financial year compared to that of 42.88% for the same period last year.</p>
Red to Amber	<p><i>SE118 Percentage of the top paid 5% of local authority staff who are women</i></p> <p>A slight improvement from the previously quarter moving from 44.36% to 45.67% for quarter 4.</p>
Monitor only, downward direction of travel	<p><i>NT037 Percentage gender pay gap</i></p> <p>The gender pay gap has widened to 4.4% from 2.06% in 2019. Figures for this measure can be volatile, with only a few key changes affecting the overall performance. Driving this change in the performance for this year, the council has had:</p> <ul style="list-style-type: none"> • A permanent Chief Executive on the snapshot date compared to the previous year • A number of vacancies, particularly at senior levels that were previously occupied by female employees. • More females than males taking unpaid leave.

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 (the Chief Financial Officer) has the responsibility for the administration of those affairs;
- 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

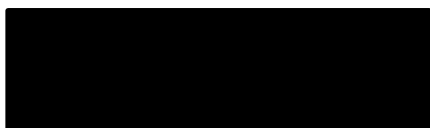
The Chief Financial Officer is responsible for the preparation of the Statement of Accounts (which includes the financial statements) in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

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;
- complied with the Code;
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future; and
- maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 London Borough of Lambeth, including its income and expenditure, and of the London Borough of Lambeth Pension Fund for the year ended 31 March 2020.



Christina Thompson
Chief Financial Officer
London Borough of Lambeth
Date: 4 March 2021

Approval of the Accounts

I certify that the audited Statement of Accounts has been approved by resolution of the Audit Committee of the London Borough of Lambeth in accordance with the Accounts and Audit Regulations 2015.



Councillor Adrian Garden
Chair – Corporate Committee
Date: 4 March 2021

Independent auditor's report to the members of London Borough of Lambeth

Report on the financial statements

Opinion

We have audited the financial statements of London Borough of Lambeth ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account (HRA) Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Lambeth and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – the valuation of land and buildings and property investments

We draw attention to note 2a of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's non-current assets as at 31 March 2020. As disclosed in note 2a to the financial statements, the outbreak of Covid-19 has had a significant impact on financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the Authority's property valuer's report. Our opinion is not modified in respect of this matter.

We draw attention to note 2a of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's share of the London Borough of Lambeth Pension Fund Property fund assets, and the London Pension Fund Authority's Real Estate, Infrastructure and Private Equity Fund assets, as at 31 March 2020. As disclosed in note 2a to the financial statements, the outbreak of Covid-19 has had a significant impact on financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. A material valuation uncertainty was therefore disclosed in the relevant fund valuation reports for both the London Borough of Lambeth Pension Fund and the London Pension Fund Authority. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance & Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance & Property's has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Group's ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director: Finance & Property is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director: Finance & Property for the financial statements

As explained more fully in the Statement of the Director: Finance & Property's Responsibilities, the Director: Finance & Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director: Finance & Property is also responsible for such internal control as the Director: Finance & Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director: Finance & Property is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, London Borough of Lambeth has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of London Borough of Lambeth, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have:

- completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- undertaken work on the objections raised in respect of the 2018/2019 financial statements.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray

Karen Murray
For and on behalf of Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

3 March 2021

Independent auditor's report to the members of London Borough of Lambeth

Report on the financial statements

Opinion on the financial statements of London Borough of Lambeth Pension Fund

We have audited the financial statements of London Borough of Lambeth Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of London Borough of Lambeth Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – effects of Covid-19 on the valuation of the Pension Fund's Pooled Property Funds

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's pooled property fund investments as at 31 March 2020. As disclosed at Note 5 these valuations have been reported by the valuers on the basis of 'material valuation uncertainty' in line with guidance from the Royal Institute of Chartered Surveyors. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance & Property's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance & Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director: Finance & Property is responsible for the other information. The other information comprises the Annual Governance Statement, information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director: Finance & Property for the financial statements

As explained more fully in the Statement of the Director: Finance & Property's Responsibilities, the Director: Finance & Property is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director: Finance & Property is also responsible for such internal control as the Director: Finance & Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director: Finance & Property is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Lambeth, as a body and as administering authority for the London Borough of Lambeth Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's 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 members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Lucy Nutley

For and on behalf of Mazars LLP
Tower Bridge House
St Katharine's Way
London, E1W 1DD

3 March 2021

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes	2019/20			2018/19		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Adults & Health		174,629	(78,550)	96,079	169,442	(77,262)	92,180
Legal, Strategy & Communications		13,825	(2,931)	10,894	12,550	(16,122)	(3,572)
Children's Services		371,255	(268,630)	102,625	359,954	(270,468)	89,486
Corporate Items		29,922	(556)	29,366	41,823	(75)	41,748
Finance & Investment		111,052	(77,038)	34,014	30,748	(10,068)	20,680
Housing Revenue Account		99,810	(181,496)	(81,686)	208,171	(187,122)	21,049
Resident Services		371,480	(284,170)	87,310	396,081	(296,527)	99,554
Sustainable Growth & Opportunity		14,225	(9,016)	5,209	13,997	(8,586)	5,411
COST OF SERVICES		1,186,198	(902,387)	283,811	1,232,766	(866,230)	366,536
Levies				3,915			4,195
Payments to the Government				28,262			3,337
Housing Capital Receipts Pool							
(Gains)/losses on the Disposal of Non-Current Assets				(9,523)			(29,939)
Other Expenditure				100			96
Other Operating (Income)/Expenditure				22,754			(22,311)
Interest Payable and Similar Charges - other				37,393			31,368
Net interest on the net pensions liability				18,788			17,325
Investment Interest income				(899)			(931)
Impairments on Receivables				12,261			9,454
Impairment Losses / (Gains) on Investments				3,759			0
Financing and Investment Income and Expenditure				71,302			57,216
Taxation and Non-Specific Grant Income	11c			(358,401)			(362,860)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES				19,466			38,581
Loss / (Gain) on revaluation of non-current assets	31			(72,047)			122,941
Remeasurements of the Net Defined Benefit Liability	31			(244,248)			108,193
Other Comprehensive (Income) and Expenditure				(316,295)			231,134
Total Comprehensive (Income) and Expenditure				(296,829)			269,715

Note

The row for Legal, Strategy & Communications was previously named Chief Executive in the 2018/19 statement.

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the individual 'usable reserves' (that is those that can be applied to fund expenditure or reduce local taxation) held by the authority, and there is one column for unusable reserves. The Total Comprehensive Income and Expenditure line here shows the surplus / deficit on the provision of services in the total usable reserves column and the other comprehensive (income) and expenditure in the unusable reserves column. These show the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019 brought forward	(108,081)	(57,690)	(69,168)	251	(78,911)	(313,599)	(1,961,979)	(2,275,578)
Total Comprehensive Income and Expenditure (CIES Page 25)	91,038	(71,572)	0	0	0	19,466	(316,295)	(296,829)
Adjustments between accounting basis & funding basis under regulations (Note 29)	(111,534)	69,166	30,971	(251)	10,378	(1,270)	1,270	0
(Increase)/Decrease in 2019/20	(20,496)	(2,406)	30,971	(251)	10,378	18,196	(315,025)	(296,829)
Balance at 31 March 2020 carried forward	(128,577)	(60,096)	(38,197)	0	(68,533)	(295,403)	(2,277,004)	(2,572,407)
GF and HRA Balance analysed over								
Earmarked reserves (Note 30a)	(96,531)	(48,590)						
LMS (Schools) Balance	(10,738)							
Balances not earmarked	(21,308)	(11,506)						
Balance at 31 March 2020	(128,577)	(60,096)						

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve (Capital)	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves
2018/19	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 brought forward	(86,936)	(55,140)	(64,578)	251	(74,917)	(281,320)	(2,263,974)	(2,545,293)
Total Comprehensive Income and Expenditure (CIES Page 25)	9,809	28,772	0	0	0	38,581	231,134	269,714
Adjustments between accounting basis & funding basis under regulations (Note 29)	(30,954)	(31,322)	(4,590)	0	(3,994)	(70,861)	70,861	0
(Increase)/Decrease in 2018/19	(21,145)	(2,550)	(4,590)	0	(3,994)	(32,281)	301,995	269,714
Balance at 31 March 2019 carried forward	(108,081)	(57,690)	(69,168)	251	(78,911)	(313,599)	(1,961,979)	(2,275,578)
GF and HRA Balance analysed over								
Earmarked reserves (Note 30a)	(73,038)	(46,923)						
LMS (Schools) Balance	(13,735)							
Balances not earmarked	(21,308)	(10,767)						
Balance at 31 March 2019 carried forward	(108,081)	(57,690)						

BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities held by the Council. The Council's net assets (assets less liabilities) are matched by the reserves it holds. These reserves are shown in two categories – usable and unusable. Usable reserves may be used to provide services subject to statutory limitations and the need to maintain prudent levels of reserves for financial stability. Unusable reserves cannot be used to fund Council services.

	Notes	31 March 2020 £'000	Restated 31 March 2019 £'000
Property, Plant & Equipment	14a	3,868,587	3,670,314
Heritage Assets	14f	1,958	1,417
Intangible Assets	14b	2,743	3,668
Long Term Investments	15a	34,241	25,000
Long-Term Debtors	15a	4,057	2,207
Long Term Assets		3,911,586	3,702,606
Assets Held for Sale (within one year)	14e	1,636	2,150
Short Term Debtors	16	149,668	159,250
Short Term Investments	15a	35,288	20,027
Cash and Cash Equivalents	35	31,772	55,936
Current Assets		218,364	237,363
Short Term Borrowing	15a	(7,074)	(6,533)
Short Term Creditors	17, 18	(178,959)	(172,345)
Provisions	24	(29,159)	(72,772)
Grants Receipts in Advance - Revenue	18	(15,274)	(20,289)
Grants Receipts in Advance - Capital	20	(25,812)	(20,683)
Current Liabilities		(256,278)	(292,622)
Long Term Creditors	15a	(90,739)	(96,116)
Provisions	24	(22,154)	(27,296)
Long Term Borrowing	15a	(591,658)	(441,634)
IAS19 Net Pension Liability	27a	(562,180)	(774,813)
Grants Receipts in Advance - Capital	20	(34,534)	(31,910)
Long Term Liabilities		(1,301,265)	(1,371,769)
Net Assets		2,572,407	2,275,578
Total usable reserves	30a	295,403	313,599
Total unusable reserves	31	2,277,004	1,961,979
Total Reserves		2,572,407	2,275,578

CASH FLOW STATEMENT

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

Year Ended 31 March	Notes	2019/20 £'000	2018/19 £'000
Net (surplus) or deficit on the provision of services		19,466	38,582
<u>Adjust net surplus or deficit on the provision of services for non-cash movements</u>			
Depreciation and amortisation	(60,446)	(64,256)	
Impairment and revaluations	46,327	(76,096)	
Impairment (loss) / gain on investments	(3,759)	0	
(Increase)/Decrease in Creditors	18,757	(3,077)	
Increase/ (Decrease) in Debtors	(3,160)	21,352	
Other adjustments	473	(1,641)	
Non Cash PFI expenditure	0	321	
Increase/(Decrease) in Accrued Investment Income	261	(401)	
Pension Liability	(31,615)	(30,455)	
Contributions (to)/from Provisions	48,755	8,621	
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(14,524)	(3,864)	
Adjustments to net surplus or deficit on the provision of services for non-cash movements		1,069	(149,495)
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>			
Capital Grants credited to surplus or deficit on the provision of services	25,545	47,285	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	24,047	34,053	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		49,592	81,338
Net Cash Flows from Operating Activities		70,127	(29,575)
Investing Activities	32	91,157	(12,073)
Financing Activities	33	(137,120)	2,075
Net (increase) or decrease in cash and cash equivalents		24,164	(39,573)
Cash and cash equivalents at the beginning of the reporting period		55,936	16,363
Cash and cash equivalents at the end of the reporting period	35	31,772	55,936

NOTES TO THE ACCOUNTS (GENERAL)

1. Statement of Accounting Policies

A. Basis of Preparation

The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2019/20, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs).

The Statement of Accounts has been prepared using the going concern and accruals bases. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods and services is recognised when the Authority satisfies a performance obligation by transferring promised goods or services to the purchaser.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

The historical cost convention has been applied, modified by revaluation of the following material categories of non-current assets and certain financial instruments.

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use value. Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	Land, Office and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none">• quoted securities – current bid price• unquoted securities – professional estimate• unitised securities – current bid price• property – market value.

The Statement of Accounts has been adjusted to reflect events after 31 March 2020 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

B. Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. This is also shown in the Expenditure and Funding Analysis. Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.	Capital Adjustment Account
Intangible Assets	Amortisation and impairment		Capital Adjustment Account
Investment Properties	Movements in fair value		Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2019/20		Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2019/20 or were received in 2019/20 without conditions.	No credit for capital grant income as this is accounted for via the capital adjustment account when applied.	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2020) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal).	No charge or credit in respect of carrying amount. The sales proceeds are taken to the Capital Receipts Reserve.	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2019/20. Movements in the fair value of money market fund investments.	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs Historical cost gains/losses for money market fund investments disposed of in 2019/20.	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities being the aggregate of service costs, net interest costs and actuarial gains and losses.	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2019/20.	Pensions Reserve
Council Tax	Accrued income from 2019/20 bills	Demand on the Collection Fund for 2019/20 plus share of estimated surplus at 31 March 2020.	Collection Fund Adjustment Account
Business Rates	Accrued income from 2019/20 bills	Precept from the Collection Fund for 2019/20	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2020	No charge	Accumulated Absences Adjustment Account

C. Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to their contractual provisions. They are initially measured at fair value.

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets are subsequently measured in one of two ways:

- amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)

- fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

D. Revenue from Contracts with Service Recipients

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

E. Government Grants and Contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until the Council has satisfied any conditions attached to the grant or contribution that would require repayment if not met. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

F. Intangible Assets

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

Intangible assets are measured at cost. These are amortised over 4 years.

The amount of an intangible asset to be amortised is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that it might be impaired – any losses recognised are posted to the relevant service line(s) in the CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

G. Leases

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

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

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

Property, plant and equipment held by the Council under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability. Subsequent payments are apportioned between:

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

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

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

Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment.

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal, with the gain/loss attributable to the difference between the carrying amount of the asset and the Council's net investment in the lease being credited/debited to the Other Operating Expenditure line in the CIES. The net investment in the lease is recognised as a lease asset in the Balance Sheet, net of any premium paid. Lease rentals receivable are apportioned between:

- a credit for the disposal of the interest in the property – applied to write down the lease asset
- finance income (credited to the Financing and Investment Income and Expenditure line in the CIES).

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

H. Overheads and Support Services

The costs of overheads and support services are charged to the Housing Revenue Account (HRA), to Public Health and against the Dedicated School Grant for their share of the supply or service in proportion to the benefits received. However, the full absorption costing principle is no longer applied with the remainder of the General Fund's share of overheads and support services remaining in the Corporate Resources directorate in accordance with the authority's arrangements for accountability and financial performance.

I. Post-Employment Benefits

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

- The NHS Pensions Scheme, administered by NHS Pensions
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by the London Borough of Lambeth.
- The Local Government Pensions Scheme, administered by the London Pension Fund Authority.

The NHS and Teacher's Schemes provide defined benefits to members. However, Scheme arrangements mean that liabilities for these benefits cannot be attributed to the Council. The Schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and

Education Services and Public Health lines in the Comprehensive Income and Expenditure Statement are charged respectively with the employer's contributions payable to Teachers' and NHS Pensions in the year.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- the liabilities of the Lambeth and London Pension Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices using a discount rate of which is based on the indicative rate of return available on a basket of AA-rated bonds with long terms to maturity (the iBoxx AA rated over 15 year corporate bond index)
- the assets of the Lambeth and London Pension Funds attributable to the Council are included in the Balance Sheet at their fair value as set out in Policy A.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:
 - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
 - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES.
 - net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - 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 – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the Lambeth pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

Discretionary Benefits

The authority 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.

J. Property, Plant and Equipment and Heritage Assets

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

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

The authority does not capitalise borrowing costs incurred whilst assets are under construction.

Assets are initially measured at cost, comprising:

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

Assets such as infrastructure, community assets and assets under construction are carried at depreciated historical cost. Surplus Assets are held at Fair Value, Heritage assets are held at historic cost. For assets currently providing a service, if they have no active market then they are held at Depreciated Replacement Cost, for Council Dwellings these are held at Existing Use Value – Social Housing, and for other assets with an active market these are held at Existing Use Value. Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their valuation basis at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for in the following ways:

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

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

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

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

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

Useful Economic Lives

Asset Category	Useful Economic Life
Council Dwellings	60 Years
Other Buildings	40 Years
Vehicles & IT equipment	4 Years
Plant, furniture & equipment	10 Years
Commercial properties & surplus assets	40 to 60 Years
Infrastructure	10 – 40 years depending on type of infrastructure asset
Community assets	10 – 100 years depending on type of community asset
Heritage assets	Held in perpetuity

The periods over which assets are depreciated are determined by the valuer on an asset by asset basis. In the absence of such a determination the useful lives in the table above apply.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES against any receipts arising from the disposal as a gain or loss on disposal.

Council Dwellings that are earmarked for regeneration will be valued using the Existing Use Value for Social Housing (EUV-SH) method provided that they are still operational/occupied at the balance sheet date.

Once a formal decision has been made and a clear timetable agreed, including a change in use of the homes; i.e. they are vacant/non-operational, it is this change in use that will drive any change in the valuation method used for the purposes of the annual accounts.

For those properties valued within the financial year, the valuer will determine the assets value as at 31 December with an impairment review at the end of the financial year to highlight any financially material changes to the value of these assets between 31 December and 31 March.

K. Private Finance Initiative and Similar Contracts

As the Council is deemed to control the services that are provided under its PFI contracts, and as ownership of the Property, Plant and Equipment will pass to the Council at the end of the contracts for no additional charge, the assets used are recognised on the Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES)
- finance cost – debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator

- lifecycle replacement costs – a proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

L. Provisions

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

The government has provided the ability to capitalise specific future costs relating to the redress scheme setup by the Council in 2017/18 for payments pertaining to historic child abuse. The provision setup for these costs is matched with a reserve on the balance sheet. As payments are made these will be debited against the provision and will be matched by drawing down the reserve by an equal sum to the capital adjustment account.

M. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

N. Changes in Accounting Policies

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise or the CIPFA code specifies no retrospective implementation) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

O. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management strategy.

P. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the

Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

Q. Rounding

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

R. Council Tax and Non-domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

S. Employee Benefits Payable During Employment

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

T. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

U. VAT

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

V. Single Entity Financial Statements and Group Accounts

We have presented single entity financial statements, in which Lambeth's interest in wholly owned subsidiaries are accounted for on the basis of the direct equity interest (i.e. at cost) rather than on the basis of the reported results and net assets of the investees.

The Council prepared a review of group interests in the companies that have the nature of subsidiaries during the 2019/20 financial year. It has concluded that there are material interests in subsidiaries, and therefore Group Accounts have been prepared. See Group Accounts for more details.

2a. Critical Judgements and Assumptions

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

Items in the Council's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year include pensions liabilities, property, plant and equipment valuations, insurance provisions and impairments on receivables.

Critical judgements made in the Statement of Accounts are:

Future of Local Government

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

COVID-19

It is clear that COVID-19 will have a significant impact on the council, local businesses and individuals. However there is a great deal of uncertainty at this early stage regarding what the precise impact will be over time. Nor do we know at this stage with certainty how long lockdown measures will last for, nor is their clarity on how the pandemic will impact Local Authority funding. The Council has reassessed impairment on receivables for COVID-19 related impairments and asset valuations have been reviewed as have figures within the Pension Fund. Adjustments have only been made where there is evidence at this early stage, during which the accounts are being prepared, to justify making any such adjustment.

There have been no adjusting events after the balance sheet date that have required an adjustment of the balance sheet figures at 31st March 2020.

Impairment on receivables

Bad debts are provided for by using trend data for recent years regarding collection rates and overview of debt position, and applying that analysis to aged debt, thus ensuring that the net debtor represents a reasonable estimation of collectible debt. Where there is an expected credit loss the impairment on receivable is amended where material.

Provisions and Contingent Liabilities

IAS 37: Provisions, Contingent Liabilities and Contingent Assets, determines whether a provision or contingent liability should be recognised in the accounts. The interpretation of the rules is particularly challenging with respect to legal cases as a judgement needs to be made as to the outcome of litigation. The experience of the Council's internal legal function is utilised to determine how current legal cases are likely to conclude and the possible financial impact of the outcome of the case. The largest elements of Provisions relate to the Redress Scheme and Insurance Fund, explained further below.

Redress Scheme

In December 2017 the Council launched a redress scheme to compensate survivors of sexual, physical and psychological abuse in Lambeth Children's Homes dating back to the 1930s up to the 1990s. The scheme enables compensation to be paid out without using the court system enabling compensation to be paid more quickly and without sums being spent in legal fees. During the 2019/20 financial year the scheme was extended and will be open to new claims until 1 January 2022.

The Council received a capitalisation direction from Central Government enabling it to treat payments up to £120m as capital expenditure and fund the costs from external borrowing. The Council has set aside a provision for the full amount and each year has reversed the general fund impact of costs incurred on settling costs to the capitalisation direction reserve.

There remains significant uncertainty in the total value of payments that may be required to be made as a result of the establishment of the redress scheme. The uncertainties in valuing the liability arise from the following factors:

- There is uncertainty in the number of applicants that will make claims to the scheme. Full records are not available of all potentially affected individuals and it is not known what proportion will make a claim. Information has been utilised where possible from similar international schemes to assess the likely number of claims.
- There is also uncertainty in the value of redress payments that will be awarded to the accepted claims. The scheme comprises two elements: Harms Way Payments which are set amounts dependent on the length of time an individual was resident in a Children's Home, and Individual Redress Payments which are compensation for actual harm incurred

following medical and legal review. Assumptions have been made as to the average level of claims that will be made in each category, although an increase in the number of payments or the number of Individual Redress Payments with potentially higher compensation could lead to the level of the liability increasing.

Costs associated with the scheme have been monitored throughout 2019/20 with reports presented quarterly to Cabinet, supported by an analysis of the overall scheme's projected costs. The latest assessment is that £100m remains a valid estimate of the overall scheme's total costs based on the experience of claims made to date, although there is a risk that the total scheme costs may exceed this value. As a result of the risk of increased costs, the council has provided for an additional £25m in 2019/20.

Insurance Fund

The Council holds a fund to act as a means of self-insurance. This is split between a consideration held in provisions to cater for incurred and reported claims where there is a probability that a payment may be required, and a reserve to cater incurred but not reported claims.

Restructures, Redundancies and Termination Benefits

A provision has been made to meet the cost of those staff who have agreed to leave as part of voluntary redundancy arrangements. The provision is based on the annual cost of redundancy arrangements and there are no specific redundancy programmes planned over the next financial year, outside of the Medium Term Financial Strategy Savings Plan at this point in time.

Service Concessions

The Council is deemed to control the services provided under PFI agreements as detailed in note 23. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets recognised as Property Plant and Equipment on the Council's Balance sheet. See note 23.

Pensions Liabilities

Estimation of the net liability to pay pensions depends on a number of complex judgements agreed with the Council's actuaries, Hymans Robertson LLP. The actuaries of the London Pension Fund Authority (LPFA) are Barnett Waddingham.

The sensitivities regarding the principal assumptions used to measure the pension liability in respect of the Lambeth scheme are set out in the table below:

	Approx. increase to pension liability		Approx. increase to monetary amount	
	LPFA	Lambeth	LPFA	Lambeth
	%	%	£'000	£'000
1 year increase in member life expectancy	3	3-5	2,131	78,004
0.5% increase in salary increase rate	<1	1	80	10,737
0.5% increase in pension increase rate	6	8	4,035	157,293
0.5% decrease in real discount rate	6	9	4,050	168,994

Lambeth Pension Fund has not employed an asset-liability matching strategy.

The sensitivity analyses above have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method.

As noted within the financial statements of the London Borough of Pension Fund and those related to the London Pension Fund Authority, the revaluation of Pension Fund assets within the a number of the funds have been obtained by the asset managers using professional valuers as set out in the relevant fund agreements. The outbreak of Covid-19 has impacted global markets and therefore the two pension funds have advised that some of the fund managers have reported valuations on the basis of 'material valuation uncertainty', meaning that less weight can be applied to previous market evidence to inform opinions of value. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of Real Estate, Infrastructure and Private Equity Fund assets than would normally be the case.

Property Valuations

Properties are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. Where there has been significant works carried out to the asset during the year, the asset is subject to a full valuation on completion of those works. The valuation in 2019/20 was conducted by Wilks Head and Eve LLP.

The valuers have arrived at their opinion of Existing Use Value - Social Housing, Existing Use Value and Fair Value from referring to recent comparable market transactions. For specialised properties the Value has been measured using Depreciated Replacement Cost methodology.

The Housing Revenue Account (HRA) residential portfolio was valued utilising a beacon methodology. In order to value the whole portfolio, it was necessary to research a number of information sources. These include sales of directly comparable property, changes of income flow for non-residential HRA property, information available at a local level showing house price movement plus regional and National Indices.

Revaluation of non-current assets is undertaken by professional valuers as set out in the accounting policies. The outbreak of Covid-19 has impacted global markets and therefore our valuers have advised that potentially less weight can be applied to previous market evidence to inform opinions of value. Valuations have therefore been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to valuations of property, plant and equipment than would normally be the case.

Homes for Lambeth (HFL)

In July 2017 Lambeth Council setup four Limited Companies to deliver housing within the Council area. These are called:

HFL GROUP LIMITED
HFL BUILD LIMITED
HFL HOMES LIMITED
HFL LIVING LIMITED

The Council is the sole 100% shareholder of the companies. 2019/20 is the first year where material transactions have taken place within HFL and therefore the Council prepared Group accounts which incorporate HFL's figures into the statements.

2b. Post Balance Sheet

There have been no post balance sheet events that have arisen which would require disclosure.

2c. Accounting Standards Issued but not yet adopted

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

NOTES TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

3a. The Expenditure and Funding Analysis

The Expenditure and Funding Analysis is a note to the accounts that shows for each of the Council's directorates:

- the amount spent under the Council's rules for monitoring expenditure against the funding in the annual budget for the General Fund
- the resources actually consumed in the year as measured by proper accounting practices in the Comprehensive Income and Expenditure Statement

The reasons for differences between the two amounts for each service are explained further in Note 3b.

	2019/20				2018/19			
	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments required to arrive at the Net amount chargeable to the GF & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments required to arrive at the Net amount chargeable to the GF & HRA	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
Adults & Health	94,140	0	1,939	96,079	91,697	0	483	92,180
Legal, Strategy & Communications	10,894	0	0	10,894	11,067	0	(14,639)	(3,572)
Children's Services	82,828	2,997	16,800	102,625	78,215	0	11,271	89,486
Corporate Items Cost of Services	21,416	(6,091)	14,041	29,366	67,302	0	(25,554)	41,748
Finance & Investment	9,014	0	25,000	34,014	7,385	0	13,295	20,680
Resident Services	83,813	(8,412)	11,909	87,310	81,299	0	18,255	99,554
Sustainable Growth & Opportunity	4,649	0	560	5,209	5,321	0	90	5,411
Net Cost of Services excl HRA	306,754	(11,506)	70,249	365,497	342,286	0	3,201	345,488
Housing Revenue Account	(739)	(20,768)	(60,179)	(81,686)	(11,194)	0	32,243	21,049
Net Cost of Services incl HRA	306,015	(32,274)	10,070	283,811	331,091	0	35,445	366,536
Other Income and Expenditure	(328,917)	32,274	32,298	(264,345)	(354,787)	0	26,832	(327,955)
(Surplus) or Deficit	(22,902)	0	42,368	19,466	(23,696)	0	62,277	38,581
Opening General Fund and HRA Balance 1 April	(165,771)				(142,075)			
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	(22,902)				(23,696)			
Closing General Fund and HRA Balance at 31 March*	(188,673)				(165,771)			

Notes

For a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

3b. Note to the Expenditure and Funding Analysis

Decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across departments. For the purpose of the initial budget and reports during the year, these reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisation are charged to services in the CIES)
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year

However, in the outturn report, the department analysis for the General Fund is reported using the same accounting policies used to prepare the financial statements, except that expenditure includes a charge for appropriation of schools' net surpluses to an earmarked reserve. General Fund cash limits are adjusted in that report to reflect in full the effect of converting to the accounting policies used in the financial statements so that the conversion has no impact on the departments' performance against their cash limits. HRA amounts are not converted.

The following note breaks down the adjustments between funding and accounting basis by adjustments for capital purposes, pensions and other adjustments.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts	2019/20				2018/2019			
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Health	1,939	0	0	1,939	483	0	0	483
Legal, Strategy & Communications	0	0	0	0	(14,639)	0	0	(14,639)
Children's Services	16,800	0	0	16,800	11,271	0	0	11,271
Corporate Items Cost of Services	2,693	11,348	0	14,041	(38,427)	12,862	11	(25,554)
Finance & Investment	25,000	0	0	25,000	13,295	0	0	13,295
Housing Revenue Account	(61,558)	1,379	0	(60,179)	31,983	268	(7)	32,243
Resident Services	11,909	0	0	11,909	18,255	0	0	18,255
Sustainable Growth & Opportunity	560	0	0	560	90	0	0	90
Net Cost of Services	(2,657)	12,727	0	10,070	22,311	13,130	4	35,445
Other income and expenditure from the Expenditure and Funding Analysis	6,145	18,888	7,265	32,298	9,507	17,325	0	26,832
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	3,488	31,615	7,265	42,368	31,818	30,455	4	62,277

4. Expenditure & Income Analysed by Nature

	2019/20	2018/19
	£'000	£'000
Expenditure		
Employee benefits expenses	380,645	363,566
Other services expenses	810,321	746,269
Depreciation, amortisation, impairment	14,119	140,352
Interest payments	37,394	31,368
Precepts and levies	3,915	4,195
Payments to Housing Capital Receipts Pool	28,262	3,337
Loss/(Gain) on the disposal of assets	(9,523)	(29,939)
Impairments on Receivables*	12,261	9,454
Impairment Losses / (Gains) on Investments	3,759	0
Total expenditure	1,281,153	1,268,602
Income		
Fees, charges and other service income	(288,622)	(278,958)
Interest and investment income	(899)	(931)
Income from council tax, non-domestic rates	(271,196)	(279,465)
Government grants and contributions	(700,970)	(670,667)
Total income	(1,261,687)	(1,230,021)
Surplus or Deficit on the Provision of Services	19,466	38,581

* A new row has been added for Impairments on Receivables as this is no longer included in the cost of services. The 2018/19 column has been restated to show Impairments on Receivables separately. This figure was previously included as part of "Other services expenses".

5. Material Items of Income and Expense

Revaluation Loss and Impairment

In 2019/20 there was a total net revaluation impairment gain of £48.9m to the surplus / deficit on provision of services. This consisted of a net £55.5m gain recorded in the HRA due to an upwards revaluation on dwelling stock, and a £6.6m net revaluation loss recorded in the General Fund. There were also impairment losses of £2.1m in the HRA and £0.4m in the General Fund.

In 2018/19 there was a total net revaluation loss of £76.1m to the surplus / deficit on provision of services. Of this, £61.0m net revaluation loss was recorded in the HRA due to a downwards revaluation on dwelling stock, and £15.1m net revaluation loss was recorded in the GF.

Redress Scheme

The Council included a provision of £100m in the 2017-18 accounts, increased by a further £25m in 2019/20, to fund payments for compensation for historic child abuse under the Council's redress scheme. Costs associated with the scheme are recorded within the Finance & Investment directorate within the net cost of services within the Comprehensive Income and Expenditure Statement and then charged against the capitalisation direction reserve. The Council has utilised £84.5m to date, with £67.8m of this being utilised in 2019/20 (£14.7m in 2018/19).

6. Parking Places Revenue Account

Surpluses made on the **Parking Places Revenue Account** must only 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. Parking income has been generated from on and off street parking, permits and enforcement activities.

	2019/20 £'000	2018/19 £'000
Enforcement Income	(21,619)	(17,813)
Permits	(5,523)	(5,735)
Suspensions	(2,097)	(1,686)
Pay for Parking		
Off Street Income	(75)	(83)
On Street Income	(5,940)	(5,187)
Total Income	(35,254)	(30,504)
Expenditure	17,011	15,869
(Surplus)/Deficit for the year	(18,243)	(14,635)
Use of Surplus		
Revenue Contribution to Capital	1,773	0
Road Safety	82	80
Other Highways Expenditure	148	222
Structural Maintenance inc. Footways & Carriageways	1,903	1,606
Concessionary Fares	13,429	9,911
Aids to Movement, Furniture & Fittings	908	1,478
Contributions to Parking Reserves	0	1,338
	18,243	14,635
(Surplus) / Deficit for year	0	0

7. Building Operations Trading Account

Certain activities performed by the Building Control Unit are 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.

	2019/20			2018/19		
	Chargeable £'000	Non- Chargeable £'000	Total £'000	Chargeable £'000	Non- Chargeable £'000	Total £'000
Expenditure						
Employees	479	205	684	372	248	620
Premises	2	1	3	0	0	0
Transport	5	2	7	5	3	8
Supplies & Services	23	10	33	23	16	39
Third Party Payments	0	0	0	1	1	2
Support Services	(112)	(48)	(160)	(4)	(3)	(7)
Central & Support Charges	135	58	193	118	79	197
	532	228	760	515	344	859
Income						
Building Regulations Charges	(510)	0	(510)	(425)	0	(425)
(Surplus)/Deficit for the Year	22	228	250	90	344	434

8. Members' Allowances

	2019/20 £'000	2018/19 £'000
Members' Allowances	752	749
Special Responsibility Allowance	468	466
Members' Expenses	0	0
Total	1,220	1,215

9a. Senior Officers' Remuneration

The remuneration paid to the authority's senior employees is as follows:

Name and Title	Notes	Year	Salary, Fees & Allowances £	Expense Allowances £	Redundancy / Severance payments £	Total Remuneration excl employers' pension contributions £	Employers' pension contributions £	Election Payment (incl pension) £	Total Remuneration incl employers' pension contributions £
Andrew Travers	1	2019/20	185,000	0	0	185,000	33,855	0	218,855
Chief Executive		2018/19	107,917	0	0	107,917	19,749	0	127,665
Strategic Director: Sustainable Growth (job share)	2	2019/20	45,245	0	0	45,245	8,280	0	53,525
		2018/19	0	0	0	0	0	0	0
Strategic Director: Sustainable Growth (job share)	2	2019/20	45,245	0	0	45,245	8,280	0	53,525
		2018/19	0	0	0	0	0	0	0
Fiona McDermott	3	2019/20	87,041	0	0	87,041	0	0	87,041
Strategic Director: Finance and Investment		2018/19	0	0	0	0	0	0	0
Strategic Director: Resident Services	4	2019/20	105,943	0	0	105,943	19,388	0	125,331
		2018/19	19,625	0	0	19,625	0	0	19,625
Strategic Director: Integrated Health and Adult Care	5	2019/20	36,547	0	0	36,547	5,255	0	41,802
		2018/19	24,500	0	0	24,500	0	0	24,500
Director of Public Health	6	2019/20	107,169	0	0	107,169	19,612	0	126,781
		2018/19	67,745	0	0	67,745	12,397	0	80,143
Fiona Connolly	7	2019/20	152,140	0	0	152,140	27,842	0	179,982
Executive Director, Adult Social Care		2018/19	159,090	0	0	159,090	29,113	0	188,203
Christina Thompson	8	2019/20	141,656	0	0	141,656	25,923	0	167,579
Director Finance and Property (S151 officer)		2018/19	135,098	0	0	135,098	24,723	0	159,821
Alison McKane		2019/20	122,045	0	0	122,045	22,334	0	144,379
Director: Legal and Governance		2018/19	119,652	0	0	119,652	21,896	0	141,548
Jacqueline Belton	9	2019/20	6,934	0	25,000	31,934	0	0	31,934
Strategic Director, Corporate Resources		2018/19	151,045	0	13,666	164,711	21,497	0	186,209
Susan Foster	10	2019/20	9,355	0	10,000	19,355	0	0	19,355
Strategic Director – Housing, Regeneration & Environment		2018/19	166,005	0	91,107	257,113	21,734	0	278,847
Annie Hudson	11	2019/20	169,843	0	0	169,843	0	0	169,843
Strategic Director – Children's Services		2018/19	161,385	0	0	161,385	0	0	161,385
Rachel Sharpe	12	2019/20	0	0	0	0	0	0	0
Director for Strategic Programmes		2018/19	104,900	0	84,741	189,641	16,422	0	206,064
Interim Strategic Director: Sustainable Growth	13	2019/20	98,740	0	0	98,740	0	0	98,740
		2018/19	24,500	0	0	24,500	0	0	24,500

Christopher Teye Head Teacher Ashmole, Vauxhall, Herbert Morrison and Wyvil Schools		2019/20	182,531	0	0	182,531	0	0	182,531
		2018/19	179,172	0	0	179,172	0	0	179,172
Lillian Umekwe Head Teacher Stockwell Junior School	14	2019/20	0	0	0	0	0	0	0
		2018/19	149,683	0	30,000	179,683	23,120	0	202,803

* Salary, fees and allowances include amounts considered for tax in the year it was paid and may include adjustments for payments relating to prior years

1. Andrew Travers started as Chief Executive Director on 1st September 2018 and was Interim Chief Executive Director before that.
 2. Strategic Directors (job share) - Sustainable Growth - started with the council on 30th September 2019.
 3. Strategic Director - Finance and Investment started with the council on 17th September 2019
 4. Strategic Director – Resident Services started on 5th August 2019 and was interim Strategic Director – Resident Service before that.
 5. Strategic Director: Integrated Health and Adult Care started on 1st October 2019
 6. The Director of Public Health started permanently with Lambeth Council on 1st August 2019 and was seconded from Lewisham to Lambeth before that.
 7. Fiona Connolly acted up as Strategic Director of Adults & Health up to the end of September 2019, and from October 2019 moved to the Executive Director Adult Social Care role.
 8. Christina Thompson acted up as Strategic Director of Finance and Investment from 1st January 2019 to 30th September 2019.
 9. Jaqueline Belton left the council on 31st December 2018. These costs are balance of exit payments
 10. Susan Foster left the Council on 31st December 2018. These are balance of exit payments.
 11. Annie Hudson has a £750 per month responsibility allowance.
 12. Rachel Sharpe left the council on 31st December 2018.
 13. The interim Strategic Director - Sustainable growth left the council on 8th December 2019
 14. Lillian Umekwe left the council on 31st March 2019.
- Merlin Joseph - Strategic Director of Children's Service started with Lambeth Council on 16th March 2020.

9b. Remuneration Details – Higher Earners

The remuneration of the Council's other employees receiving £50,000 or more, excluding pension contributions, is shown below in bands of £5,000. Due to pay inflation, the number of individuals falling within the scope of this disclosure increases each year. This note excludes those disclosed in the previous note.

Remuneration band	Number of school employees		Number of other employees		Total number of employees	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
£50,000 - £54,999	194	154	112	88	306	242
£55,000 - £59,999	102	109	44	51	146	160
£60,000 - £64,999	90	62	65	64	155	126
£65,000 - £69,999	30	24	27	21	57	45
£70,000 - £74,999	22	18	17	11	39	29
£75,000 - £79,999	12	17	8	15	20	32
£80,000 - £84,999	17	20	10	6	27	26
£85,000 - £89,999	9	6	14	9	23	15
£90,000 - £94,999	6	7	4	5	10	12
£95,000 - £99,999	7	7	1	2	8	9
£100,000 - £104,999	7	4	1	2	8	6
£105,000 - £109,999	4	4	3	2	7	6
£110,000 - £114,999	5	0	3	1	8	1
£115,000 - £119,999	0	1	1	1	1	2
£120,000 - £124,999	2	2	1	0	3	2
£125,000 - £129,999	1	0	1	1	2	1
£130,000 - £134,999	0	0	1	0	1	0
£135,000 - £139,999	0	0	0	0	0	0
Total for £50,000 to £139,999	508	435	313	279	821	714

Rather than produce two separate notes on Higher Earners for the group accounts and these single entity accounts, which may lead to individual's personal data being identifiable, HFL employees have been incorporated within this note.

9c. Exit Packages

Exiting Package cost band (including special payments) £	Number of compulsory redundancies		Number of other Departures agreed		Total Number of Exit packages by cost band		Total Cost of Exit Packages in each band £	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
0 – 20,000	13	20	92	89	105	109	783,619	899,475
20,001 – 40,000	13	14	8	15	21	29	544,759	845,063
40,001 – 60,000	1	4	3	1	4	5	183,178	249,933
60,001 – 80,000	1	0	3	1	4	1	289,672	67,502
80,001 – 100,000	0	0	0	2	0	2	0	217,081
100,001 - 150,000	0	1	0	0	0	1	0	126,439
Total Cost of exit package before provision	28	39	106	108	134	147	1,801,228	2,405,492

This note includes employees who received exit packages payments in 2019/20, even if their redundancy was agreed in the previous financial year.

10. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts performed by Mazars and the certification of grant claims performed by KPMG:

	2019/20 £'000	2018/19 £'000
Fees with regard to external audit services carried out by the appointed auditor for the year	176	176
Fees for the certification of grant claims and returns for the year	30	30
Total	206	206

11. Grant Income, Contributions and Taxation

11a. Other Revenue Grant Income

The Council credited the following other revenue grants to the Comprehensive Income and Expenditure Statement: -

Credited to Taxation and Non Specific Grant Income	2019/20 £'000	2018/19 £'000
Adult Social Care Support	(2,578)	(943)
Better Care Fund	(14,507)	(12,204)
Community Infrastructure Levy	(1,502)	(6,642)
Housing Benefit Admin Subsidy	(1,925)	(2,116)
New Homes Bonus & New Homes Bonus Top Slice	(8,040)	(9,726)
NDR S31 Grant	(17,664)	(5,978)
Tackling Troubled Families	(2,248)	(1,669)
Covid-19 Funding	(10,703)	0
Grants Under £1.5m	(4,164)	(1,903)
Total Credited to Taxation and Non Specific Grant Income	(63,331)	(41,182)
Adult and Community Learning	(1,543)	(2,183)
Dedicated Schools Grant	(211,058)	(217,716)
Housing Benefit Subsidy	(187,414)	(208,998)
JCP Flexible Support Grant	(4,150)	(3,842)
PFI Lilian Baylis PFI Project - DfE Grant	(1,931)	(1,931)
PFI Support Grant Income - Lambeth Myatts Field North HRA PFI Project	(7,729)	(7,729)
PFI Support Grant Income - Gracefield Gardens & Street Lighting	(1,612)	(1,850)
Teachers' Pay Grant	(1,517)	(680)
Teachers' Pension Grant	(2,946)	0
TFL Grant	(1,352)	(1,502)
Public Health Grant	(30,580)	(31,323)
Pupil Premium	(12,614)	(13,171)
Universal Infant Free School Meals	(3,297)	(2,764)
YPLA (LSC) 6th Form Grant	(5,252)	(5,614)
Unaccompanied Children's Grant	(2,366)	(562)
Other Government Grants - Revenue (under £1.5m)	(9,425)	(8,392)
Other non -Government Grants - Revenue	(186)	(309)
Better Care Fund - S75 Pooled Budget	(10,449)	(9,911)
Contributions from Health Authorities	(19,461)	(12,787)
Schools - Catering, Facilities & Services	(6,493)	(10,464)
Section 106	(2,782)	(2,289)
Housing Zone Funding	0	(2,840)
Other Contributions under £1.5m	(8,879)	(4,346)
Total Credited to Services (Grants and Contributions)	(533,036)	(551,203)
Grand Total	(596,367)	(592,385)

11b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20: -

Credited to Taxation and Non Specific Grant Income	2019/20 £'000	2018/19 £'000
Transport for London	(2,969)	(1,483)
Section 20 Receipts	(4,840)	(9,099)
Standard Fund	(4,432)	(12,863)
S106 developers' contributions	(3,538)	(2,336)
Housing Infrastructure Fund	(4,320)	0
Other Grants - Capital (under £1.5m)	(3,401)	(2,305)
Home Zone Contribution	0	(3,838)
Community Infrastructure Levy*	0	(12,546)
Total Taxation and Non Specific Grant Income	(23,500)	(44,470)

Credited to Services	2019/20 £'000	2018/19 £'000
Big Lottery Fund	(555)	(1,478)
Transport for London	0	(6)
Standards Fund	(112)	(577)
S106 developers' contributions	(14)	0
Other Grants-Capital (under 1.5m)	(1,364)	(754)
Total Credited to Services	(2,045)	(2,815)

Grand Total	(25,545)	(47,285)
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*Community Infrastructure Levy income in year was offset by credit notes that were raised refunding the prior year's income, because of developments not proceeding as planned.

11c. Breakdown of Taxation and Non-Specific Grant Income

	2019/20 £'000	2018/19 £'000
Capital grants and Contributions – other (see note 11b)	(23,500)	(44,470)
Council Tax income	(123,360)	(116,070)
NNDR Retained Income	(82,065)	(110,663)
Revenue Support Grant	(374)	(1,684)
Top-Up grant – business rates retention scheme	(65,771)	(52,732)
Other Non-service related grants (see note 11a)	(63,331)	(37,241)
Taxation and Non-Specific Grant Income	(358,401)	(362,860)

12. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. There were no outstanding balances at the 31 March 2020 unless otherwise stated.

Central Government

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 (e.g. council tax bills and housing benefits). Details of transactions with government departments are set out in note 11. Revenue and capital grants which have not yet been credited

to the Comprehensive Income and Expenditure Statement are shown in notes 18 and 20 to the balance sheet respectively. Other amounts due to or from central government at the relevant balance sheet dates are included in the figures in notes 16 and 17.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2019/20 £4.2m (£5.3m in 2018/19) was paid to organisations in which 17 members (18 members in 2018/19) were on the governing body. 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 are open to public inspection at Lambeth Town Hall during office hours. Further information is available in note 8 on allowances paid to members.

Other Public Bodies

In addition, the Council paid £14.2m (£14.3m in 2018/19) to Western Riverside Waste Authority in respect of waste disposal charges and £1.3m (£1.5m in 2018/19) in respect of levies.

Amounts due to or from other local authorities at the relevant balance sheet dates are included in the figures in notes 16 and 17.

The Council has borrowing (including accrued interest) of £598.7m (£448.2m in 2018/19) with the Public Works Loan Board (PWLb). Interest payable on these loans was £24.4m (£22.4m in 2018/19). The Waste Authority and PWLB are under common control of central government.

Material transactions with the Pension Fund are disclosed in the Pension Fund accounts. The Fund owed the Council £0.38m as at 31 March 2020 (£0.01m as at 31 March 2019). 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 £1.26m (£1m in 2018/19) for expenses incurred in administering the fund. Details are in the Pension Fund Accounts.

Wholly owned Subsidiaries

In July 2017 Lambeth Council setup four Limited Companies to deliver housing within the Council area.

These are called:

HFL GROUP LIMITED
HFL BUILD LIMITED
HFL HOMES LIMITED
HFL LIVING LIMITED

The Council is the sole 100% shareholder of the companies. Group accounts have been prepared incorporating HfL Group Limited as at 31st March 2020.

In April 2019, HFL Group Limited issued 80,000,000 shares of 10p, in consideration of a head lease for 70 council level rent properties at Lollard Street, the market value of which is £8,000,000. The company granted a sublease of these properties to HFL Homes.

In 2019/20 HFL Build Limited billed Lambeth for £2.7m. Of this total sum £2.0m relates to work commissioned on the early stages of housing project development and £0.7m was paid to HFL Build Limited to enable them to carry out an ongoing programme of renovations in respect of leaseholder buyback properties expected to be used for short term private rental agreements. (In 2018/19 HFL billed Lambeth for £0.6m for development management fees on LBL projects).

In 2019/20 Lambeth charged the HFL companies a total of £0.8m. £0.4m of this relates to a share of property rental income derived from void properties on regeneration estates which were used by HFL Build for short term private rental agreements and £0.4m related to staff costs and the use of council accommodation and ICT services.

In 2019/20 Lambeth issued £1.3m of loans to HFL Group Limited (£0.9m in 2018/19) and charged interest of £0.1m on these loan advances (£0.0m in 2018/19). In 2019/20 Lambeth issued £0.9m of loans to HFL Build Limited (£0.0m in 2018/19).

The directors in office for HfL Group, as at 31st March 2020 are as follows:

Directors of HfL Group Limited	Date of Appointment
Gregory Carson	03/07/2017
Hamant Bharadia	26/03/2018
David Amos	31/10/2018
Richard Reynolds	31/07/2018
Wendy Stokes	31/07/2018
Richard Stevens	15/05/2019
Ivor Davenport	15/05/2019
Sara Waller	13/11/2019

13. Better Care Fund (Pooled Budget)

The Council entered into a pooled budget arrangement with Lambeth Clinical Commissioning Group (CCG) in 2014/15. This ongoing agreement is for the provision of services to improve the health and wellbeing of the people living in Lambeth, and is extended annually. Services provided through this pooled fund cover mental and physical health, care and support for carers, and are focused on enabling people to recover quickly following a hospital stay, improving mental health care and staying independent.

The arrangement is made in accordance with Section 75 (S75) of the National Health Service Act 2006 and any surplus or deficit generated will be the responsibility of the respective partner to whom it is attributed. The pooled budget includes all income and expenditure relating to the Better Care Fund (BCF), whether funded by the local authority or the NHS. It is hosted by Lambeth Council; however not all transactions pass through the Council's accounting system.

	2019/20 £'000	2018/19 £'000
Funding provided to the pooled budget		
Lambeth Council	(15,986)	(12,066)
CCG	(25,882)	(23,134)
Total funding provided to the pooled budget	(41,868)	(35,200)
Lambeth Council	26,435	21,977
CCG	15,433	13,223
Total expenditure met from the pooled budget	41,868	35,200
Net surplus / deficit arising on the pooled budget during the year	0	0

NOTES TO THE BALANCE SHEET

14a. Property, Plant and Equipment

Balances as at 31 March 2020	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation	2,254,362	1,312,555	155,199	256,650	7,382	42,088	50,266	4,053,562
Accumulated Depreciation	(67)	(10,585)	(95,234)	(103,898)	0	(131)	0	(209,915)
Carrying Amount	2,254,295	1,301,970	59,965	152,752	7,382	41,957	50,266	3,843,647

Owned	2,215,287	1,249,552	57,219	139,754	7,205	41,957	50,266	3,737,105
PFI	39,008	52,418	2,746	12,998	177	0	0	106,542
Carrying Amount	2,254,295	1,301,970	59,965	152,752	7,382	41,957	50,266	3,843,647

Movements in Carrying Amount	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
At 1 April 2019	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313
Reclassifications	(5,756)	29,702	0	0	0	8,224	(32,170)	0
Additions	36,322	68,285	14,528	11,507	875	1,144	20,594	153,255
Revaluation gains/(losses) recognised in the revaluation reserve	60,067	16,373	92	0	0	360	0	76,892
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	45,230	(7,467)	(23)	0	0	11,107	0	48,847
Depreciation	(24,510)	(17,308)	(6,118)	(11,205)	0	(203)	0	(59,344)
Impairments recognised in the revaluation reserve	(164)	(4,682)	0	0	0	0	0	(4,846)
Impairments recognised in the surplus / deficit on the provision of services	(301)	(2,035)	0	0	0	(80)	(104)	(2,520)
Disposals and Decommissioning	(3,959)	(8,414)	0	0	0	(1)	0	(12,374)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(1,636)	0	(1,636)
At 31 March 2020	2,254,295	1,301,970	59,965	152,752	7,382	41,957	50,266	3,868,587

Balances as at 31 March 2019	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,147,420	1,241,708	140,606	245,143	6,507	23,052	61,946	3,866,382
Accumulated Depreciation	(54)	(14,192)	(89,120)	(92,693)	0	(10)	0	(196,069)
Carrying Amount	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

Owned	2,111,155	1,174,427	49,660	139,143	6,330	23,042	61,946	3,565,703
PFI / Finance Lease	36,211	53,089	1,826	13,307	177	0	0	104,610
Carrying Amount	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

Movements in Carrying Amount	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	2,315,584	1,234,654	38,817	154,755	5,559	21,644	31,784	3,802,797
Reclassifications	(4,294)	4,294	0	0	(1)	1	0	0
Additions	53,345	22,331	18,131	8,542	524	355	29,269	132,496
Revaluations	(183,518)	(8,909)	0	0	425	1,286	0	(190,715)
Depreciation	(27,698)	(19,126)	(5,462)	(10,846)	0	(23)	0	(63,155)
Impairments	(2,189)	(5,728)	0	(1)	0	(221)	0	(8,139)
Disposals and Decommissioning	(3,864)	0	0	0	0	0	0	(3,864)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	893	893
At 31 March 2019	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

The following table gives a breakdown of the net book values above between assets held at historic cost and assets held at current value, indicating how much of this is for assets valued in each of the last five financial years, including 2019/20.

Balances as at 31 March 2020	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	67,369	59,873	152,752	7,382	0	49,325	336,702
Valued at current value as at:								
31 March 2016	1	3,731	0	0	0	0	0	3,732
31 March 2017	0	114	0	0	0	0	941	1,055
31 March 2018	3,214	179,197	0	0	0	7,852	0	190,263
31 March 2019	64	308,344	0	0	0	9,745	0	318,153
31 March 2020	2,251,017	743,215	92	0	0	24,360	0	3,018,684
Total cost or valuation	2,254,295	1,301,970	59,965	152,752	7,382	41,957	50,266	3,868,587

14b. Intangible Assets

The Council accounts for its software as intangible assets to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include only purchased licenses. The value of the licences held by the Council is immaterial, and is written off on a straight-line basis over the estimated useful life of four years. The charge is in Cost of Services within the CIES.

The movement on Intangible Asset balances during the year is as follows:

	2019/20	2018/19
	Software Licences	Software Licences
	£'000	£'000
Balance at start of year:		
· Gross carrying amounts	14,601	14,235
· Accumulated amortisation	(10,933)	(9,833)
Net carrying amount at start of year	3,668	4,402
Additions:		
· Purchases	177	365
· Amortisation for the period	(1,102)	(1,099)
Net carrying amount at end of year	2,743	3,668
Comprising:		
· Gross carrying amounts	14,778	14,600
· Accumulated amortisation	(12,035)	(10,932)
Balance at end of year	2,743	3,668

14c. Capital Expenditure and Capital Financing

Capital Financing Requirement	2019/20	2018/19
	£'000	£'000
Opening Capital Financing Requirement	886,828	860,606
Capital Investment		
Property, Plant and Equipment	153,255	132,496
Heritage Assets	541	135
Intangible Assets	177	366
Revenue Expenditure Funded from Capital under Statute	72,194	19,986
Long Term Capital Debtors	0	9,998
Investments	13,000	0
Sources of Finance		
Repayment of Loan	0	(21,086)
Capital Receipts Recycled 141	(6,230)	(5,818)
Capital Receipts	(20,526)	(20,307)
Government grants and other contributions	(19,529)	(30,185)
Major Repairs Reserve	(29,741)	(32,057)
Section 20	(5,627)	(7,129)
S106 contributions	(3,552)	(2,336)
Community Infrastructure Levy	(7,215)	(4,576)
Direct revenue contributions	0	(205)
Sums set aside from revenue	(934)	(7,747)
MRP / loans principal	(6,060)	(5,313)
Closing Capital Financing Requirement	1,026,581	886,828
Explanation of movements in year		
Increase / (decrease) in underlying need to borrow	139,753	26,222
Increase / (decrease) in Capital Financing Requirement	139,753	26,222

14d. Capital Commitments

	2019/20	2018/19
	£'000	£'000
Finance & Investment	10,696	4,764
Resident Services (GF)	6,467	8,858
Resident Services (HRA)	39,513	17,127
Sustainable Growth & Opportunity	25,769	523
Total	82,445	31,272

The figures in the note above are based on outstanding purchase order amounts.

Within Finance & Investment the largest capital commitment relates to works at Sudbourne School. Somerlyton Road works are the largest capital commitment within Sustainable Growth & Opportunity. The HRA includes LHS works and expenditure relating to Fire Risk Assessment works.

14e. Assets Held for Sale

	Current	
	2019/20	2018/19
	£'000	£'000
Balance at start of year	2,150	3,226
Assets sold	(2,150)	0
Assets Reclassified as Assets Under Construction	0	(893)
Revaluations	0	(183)
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,636	0
Balance at year-end	1,636	2,150

14f. Heritage Assets

Heritage assets held by the Council, principally for their contribution to knowledge or culture, comprise the following: -

- **Historic Buildings** - The Brixton Windmill, built in the 19th century, has been restored to its original condition.
- **Art Collection** - Includes a granite sculpture and permanent oak sculptures, part of an ongoing programme of regeneration.
- **Water Features** – Include a number of drinking fountains in need of refurbishment
- **Memorials** – Include sculptures and statues in several Lambeth Parks

They are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. There are some heritage assets held at zero value because the cost of obtaining a valuation would outweigh the benefit to users of the accounts.

15a. Financial Instruments

	Non-Current		Current	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Rents	0	0	(8,218)	(6,650)
Right to buy service charges and s20 creditors	0	0	(6,146)	(4,963)
Other payables	0	0	(129,838)	(122,874)
Short-term Borrowing – PWLB	0	0	(7,074)	(6,533)
Short-term Creditors – IFRIC 12	0	0	(5,378)	(5,243)
Long-term Borrowing – PWLB	(591,658)	(441,634)	0	0
Long-term Creditors – IFRIC12	(90,739)	(96,116)	0	0
Total Financial Liabilities at Amortised Cost	(682,397)	(537,750)	(156,654)	(146,263)
Rents	0	0	13,148	7,671
Right to buy service charges and S20 works	0	0	22,634	22,698
Other receivables	0	0	67,309	78,651
Long-term Debtors	4,057	2,207	0	0
Investments*	34,241	25,000	35,288	20,027
Total Financial Assets	38,298	27,207	138,379	129,047

The balances on both the non-current and current categories of financial liabilities does not include all elements of creditors. The reason for exclusions is that some sections of creditors relate to statutory functions, not contractual arrangements and therefore do not meet the definition of a financial instrument or is deferred income. Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors.

All liabilities arising from financing activities, as shown above are from cash flows.

*The Long-term Debtors and Investments figures in the Non-Current 2018/19 column have been restated. £25m relating to the Resonance Fund investment was previously classified as long term debtor and has now been reclassified as long term investment. This is the result of a review completed for the 2019/20 financial statements.

15b. Impairment (credit) losses on receivables

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	Rent Debtors £'000	Sundry Debtors £'000	RTB and S20 Leaseholders £'000	Parking Debtors £'000	Total £'000
Balance as at 31 March 2018	(10,213)	(9,790)	(2,046)	(9,567)	(31,616)
Write-offs	2,594	168	(39)	5,081	7,804
Set up/Release	(1,735)	38	(1,165)	(6,734)	(9,596)
Balance as at 31 March 2019	(9,354)	(9,584)	(3,250)	(11,220)	(33,408)
Write-offs	595	179	0	4,659	5,433
Set up/Release	(1,912)	(2,072)	0	(4,629)	(8,613)
Balance as at 31 March 2020	(10,671)	(11,477)	(3,250)	(11,190)	(36,588)

15c. Income, Expense, Gains and Losses

Details of the Council's income and expenditure in relation to interest payable and receivable

	2019/20 £'000	2018/19 £'000
Interest Receivable	(899)	(931)
Interest Payable	37,394	31,368
Impairment Loss on loans and receivables	(8,613)	(9,226)
Total	27,882	21,211

15d. Fair Values of Assets and Liabilities

The fair value of PWLB debt has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments discounted by interest rates at the balance sheet date based on PWLB redemption interest rates advised on PWLB. Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables and payables is taken to be the invoiced or billed amount. Liabilities arising from service concession arrangements and finance leases are calculated on the life of the arrangement or lease using the implicit rate of interest in the lease. The liability is therefore assumed to be approximate to fair value. Trade and other receivables and payables and liabilities arising from service concession arrangements and finance leases have therefore not been included in the table below.

	2019/20		2018/19	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial assets – Resonance Fund investment	26,241	26,241	25,000	n/a
Financial liabilities – PWLB debt	(591,658)	(1,242,072)	(441,658)	(846,012)

The carrying amount of the Resonance Fund investment is the same as the fair value because it is held in the balance sheet at 'fair value through profit + loss'. The impairment resulting from this valuation (valuation dated 31st March 2020) is recognised in Financing & Investment income / expenditure for 2019/20 in the CIES. It does not impact the general fund balance as it reversed through the MIRS as an adjustment between accounting and funding basis under regulations. Following review of the classification of financial instruments, this has been reclassified as Fair Value through Profit & Loss for the first time in 2019/20, the prior year disclosure has been amended to be consistent.

All other financial assets are held at amortised cost.

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates for similar loans at the Balance Sheet date.

This commitment to pay interest above the market increases the amount the Council would have to pay if the PWLB agreed to early repayment of the loans.

15e. Nature and Extent of Risks Arising from Financial Instruments

The Council has put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury activities. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003, and associated regulations, which require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. The Council, in complying with this framework, acknowledges that effective management and control of risk are the prime objectives of its treasury management activities and responsibility for these lie clearly within the organisation. The key policy documents including the Council's Treasury Management Strategy as approved by full Council are available on the Council's website.

Credit risk: Credit risk principally arises on deposits with bank and other financial institutions in relation to deposits. The risk is mitigated through the Council's treasury management strategy. This requires that:

- Deposits are made with banks and other financial institutions that have been rated by independent credit rating agencies with a minimum score of BBB-.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to a percentage of the asset value of the institution.
- No more than £20 million is held with any one institution, regardless of standing or duration, except for the Council's main bank (NatWest) and the government DMADF facility. A range of counterparties are used to diversify and spread risk.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2020 that this was likely to crystallise. Deposit protection arrangements as outlined in the Council's Treasury Management Strategy will limit any losses that may arise.

The Council's external Treasury advisors, have valued the Council's fixed term deposits (maturity investments) by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit. For loans from the PWLB, they have provided fair value estimates using redemption discount rates.

The Council has a low credit risk arising from other financial assets. The council has an investment in the Resonance Fund and it is renewable every 7 years. It is for the provision of accommodation for residents. This is deemed low risk as the investments are tied to specific properties and the Council is carrying the investments at fair value on its balance sheet. Debtors are not subject to internal credit rating and expected credit losses are calculated using provision matrices based on historical data for defaults. Impairments on receivables are outlined in note 15b.

15f. Term deposits with banks and financial institutions

Term deposits with banks and financial institutions	2019/20 £'000	2018/19 £'000
Investments with Banks	178	15,122
Investments with Building Societies	35,000	20,000

The authority has UK Banks on its lending list and the limits are set out in the Annual Treasury Strategy Report approved by the authority. The figure above shows the maximum exposure for all banks at that date. Building Societies on the counterparty list are ranked based on level of assets held. The list and risk is reviewed based on the market indicators available.

15g. Analysis by Maturity

Book Value at	2019/20 £'000	2018/19 £'000
Maturing in 1 to 10 years	86,357	86,357
Maturing in 10 to 20 years	47,256	47,256
Maturing in 20 to 30 years	38,464	25,642
Maturing in 30 to 40 years	229,581	229,801
Maturing in more than 40 years	190,000	52,602
Total	591,658	441,658

Market Risk

The Council is not exposed to any significant risks in terms of interest rate movements on its borrowing and investments. The spread of investments takes account of prevailing and as far as possible future market forecasts from different sources of the trend and future interest rates risks. All borrowing is with the Public Works Loan Board on a fixed term and fixed interest basis. Current market conditions are not conducive to raise finance unless it is for specific purposes. The return on investments would not cover the cost of servicing the debt. Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Comprehensive Income and Expenditure Statement. Based on the amount of cash held in such accounts at 31 March 2020 a 1% change in interest rates would change the interest receivable by £0.00m.

16. Short –Term Debtors by category of counterparty

	2019/20 £'000	2018/19 £'000
Central government bodies	17,158	23,074
Other Local Authorities	11,596	8,354
Public Corporations and Trading Funds	13	45
National Health Service Bodies	1,657	12,563
Other Entities and Individuals	119,244	115,214
Total	149,668	159,250

17. Short-Term Creditors by category of counterparty – which includes Note 18 as a subset

	2019/20 £'000	2018/19 £'000
Central government bodies*	(32,143)	(43,161)
Other Local Authorities	(9,575)	(3,539)
Public Corporations and Trading Funds	0	(3,179)
National Health Service Bodies	(12,545)	(12,399)
Other Entities and Individuals	(139,970)	(130,356)
Total	(194,233)	(192,634)

* Revenue Grants Receipts in Advance have been included above although they appear on a separate line on the face of the Balance Sheet.

18. Revenue Grants Receipts in Advance

	2019/20 £'000	2018/19 £'000
Dedicated Schools Grant	(3,280)	(1,648)
Housing and Council Tax (Benefit and Subsidy)	0	(6,253)
JCP Flexible Support Grant	0	(1,316)
Lilian Baylis PFI Project	(1,000)	(1,000)
LSC - Adult & Community Learning	(562)	(678)
PFI HRA Myatts Field Project	0	1,932
Universal Infant Free School	0	(684)
S31 NDR Retail relief	(8,146)	(6,674)
Government Grants (under £500k)	(2,277)	(3,907)
Government Grants Subtotal	(15,265)	(20,228)
Non-Government Grants	(9)	(61)
Total Revenue Grant Receipts in Advance	(15,274)	(20,289)

19. Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	2019/20				2018/19			
	Lambeth £'000	GLA £'000	Central Government	Total £'000	Lambeth £'000	GLA £'000	Central Government	Total £'000
Under 1 year								
Council Tax	4,596	1,312	N/A	5,908	4,744	1,276	N/A	6,020
Non-domestic rates	1,533	862	798	3,193	1,038	584	N/A	1,622
Over 1 year								
Council Tax	6,645	1,896	N/A	8,541	6,381	1,717	N/A	8,098
Non-domestic rates	702	395	366	1,463	711	400	N/A	1,112
	13,476	4,465	1,164	19,105	12,874	3,977	0	16,852

20. Capital Grant Receipts in Advance

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if the condition is not met. The balances at the year-end are as follows:

	2019/20 £'000	2018/19 £'000
Developers' contribution	(13,561)	(13,890)
Standard Fund	(776)	(1,196)
Greater London Authority	(7,687)	(2,353)
Ministry of Housing, Communities & Local Government	(2,699)	(2,286)
Other Grant	(1,089)	(958)
CURRENT LIABILITIES	(25,812)	(20,683)
Developers' contribution	(32,552)	(30,274)
Standard Fund	(236)	(236)
Greater London Authority	0	(117)
Ministry of Housing, Communities & Local Government	(107)	(542)
Other Grant	(1,639)	(741)
NON-CURRENT LIABILITIES	(34,534)	(31,910)
Total Capital Grants Receipts in Advance	(60,346)	(52,593)

21. 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 2019/20 are as follows:

2019/20 DSG	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2019/20 before Academy and High Needs Recoupment			(285,159)
Less: Academy and high needs figure recouped for 2019/20			73,074
Total DSG after Academy and high needs recoupment for 2019/20			(212,085)
Plus: Brought forward from 2018/19			(1,648)
Less: Carry-forward to 2020/21 agreed in advance			0
Agreed Initial Budgeted Distribution 2019/20	(21,768)	(191,965)	(213,733)
In-year Adjustments:	(392)	841	449
Final budgeted distribution for 2019/20	(22,160)	(191,124)	(213,284)
Less: Actual Central expenditure	19,934	0	19,934
Less: Actual ISB deployed to schools	0	191,124	191,124
Plus: Local Authority Contribution for 2019/20	0	0	0
Carried forward to 2020/21	(2,226)	0	(2,226)

22a. Leases – Authority as Lessee

The future minimum lease payments due under non-cancellable leases in future years are:

	2019/20 £'000	2018/19 £'000
Not later than one year	3,426	3,548
Later than one year and not later than five years	6,778	8,509
Later than five years	4,054	5,516
Total	14,258	17,573

The leases relate to land, buildings, and vehicles, and are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. The total expenditure in 2019/20 was £3.666m, comprising £3.617m Minimum Lease Payments (£3.640m in 2018/19) and £0.05m Contingent Rental (£0.1m in 2018/19).

22b. Leases – Authority as Lessor

(i) The Council has leased out three properties in the borough on a finance lease (Brixton Enterprise Centre, Gothic Lodge and The Young Vic Theatre). The Council's gross investment in the leases of £2.13m (£2.16m in 2018/19), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2018/19).

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Not later than one year	30	30	8	8
Later than one year and not later than five years	119	119	26	28
Later than five years	1,984	2,014	83	89
Total	2,133	2,163	117	125

Of the total of £2.1m the element of unearned finance income was £1.7m, with £0.4m going towards repayment of the lease debtor (£1.7m and £0.4m in 2018/19). There was no contingent rent corresponding to these lease arrangements.

(ii) The future minimum lease payments due under non-cancellable operating leases in future years are:

	2019/20 £'000	2018/19 £'000
Not later than one year	5,068	3,765
Later than one year and not later than five years	14,859	10,547
Later than five years	25,562	41,652
Total	45,489	55,964

The decrease in payments later than 5 years is due to the revision of the estimated lease end date used for the purpose of this calculation.

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

The council has recognised five contracts on its Balance Sheet:

The Waste Management contract provides services including street cleansing, waste collection and disposal, and a recycling service. The contract started in 2007 for an initial 7 years, and was extended until 2021 on the same terms. £4.2m of new assets were recognized in 2014/15. Payments in 2019/20 amounted to £18.7m (£18.6m in 2018/19).

The operator is required to meet performance targets; payments made by the Council are subject to deductions based on the operator's performance. Pricing arrangements can be adjusted for any future changes to the service requested by the Council. The Council is entitled, upon expiry or termination of the contract, to require the operator to sell to it any of the vehicles and other assets used in the provision of the service.

Norwood Hall is a PFI that started in June 2014 and £8.8m of new asset were recognized accordingly. £1.05m of payments were made in 2019/20 (£1.09m in 2018/19). The contract will last for 24 years and the asset will revert to Lambeth at that time. It is a multi-purpose health and leisure facility for the benefits of the community.

The Lilian Baylis contract provided the rebuild of the secondary school in Kennington (which became operational in January 2005), and continues to provide further investment in infrastructure and maintenance at the site. The contract runs until July 2030, with payments in 2019/20 totalling £3.21m (£3.05m in 2018/19). Currently payments vary only with changes in RPIX and no other factor.

Lambeth Lighting Services Ltd provides replacements, upgrades and new installations of street lighting throughout the borough. Payments in 2019/20 amounted to £2.73m (£2.72m in 2018/19) and the contract will run until 2031. The authority will take full ownership of all created and refurbished lighting at the end of the contract.

Myatt's Field North Estate is being transformed by the construction of 305 new-build council homes, 357 new homes for sale, 146 new affordable (shared ownership) homes, refurbishment of 172 existing homes, and the creation of new streets, play areas and green spaces. The 25 year PFI contract started in 2012, with the construction phase of the project lasting until March 2017, with a total value of £80.7m recognised since the start of the contract. Payments on this contract in 2019/20 were £10.16m (£10.46m in 2018/19). A total of 357 homes will be sold.

23a. The value of assets held under PFI and similar contracts and an analysis of the movement in those values.

	Lilian Baylis £'000	Norwood Hall £'000	Waste Fleet £'000	Lambeth Lighting £'000	Myatts Field North £'000	Total £'000
01-Apr-19	28,997	23,777	1,826	13,306	36,704	104,610
Additions	174	0	920	121	0	1,215
Revaluations	0	0	0	0	3,210	3,210
Depreciation	(467)	(373)	0	(429)	(419)	(1,688)
31-Mar-20	28,704	23,404	2,746	12,998	39,495	107,347

23b. The value of outstanding liabilities resulting from PFI, finance leases and similar contracts at each Balance Sheet date and an analysis of the movement in those values.

	Lilian Baylis £'000	Lambeth Lighting £'000	Norwood £'000	Waste Mgt £'000	Myatts Field North £'000	Total £'000
31-March-2018	(9,492)	(7,593)	(7,858)	(2,212)	(78,972)	(106,127)
Liability in year	0	0	0	0	0	0
Payments in year	448	609	259	518	2935	4,769
31-March-2019	(9,044)	(6,984)	(7,599)	(1,694)	(76,037)	(101,358)
Liability in year	0	0	0	0	0	0
Payments in year	518	620	262	712	3,130	5,242
31-March-2020	(8,526)	(6,364)	(7,337)	(982)	(72,907)	(96,116)

23c. Details of payments due to be made under PFI, finance leases and similar contracts (separated into repayments of liability, interest and service charges) as at 31 March 2020 are set out in the table below.

Lilian Baylis	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Liability	Interest	Service	PPE	Total
Within 1 Year	575	1,549	928	156	3,208
2-5 Years	2,547	5,913	3,950	1,244	13,654
6-10 Years	5,404	7,120	5,247	1,306	19,077
11-15 Years	0	0	0	0	0
Total	8,526	14,582	10,125	2,706	35,939

Lambeth Lighting	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Liability	Interest	Service	PPE	Total
631	572	1,310	124		2,637
2,618	1,814	5,598	527		10,557
2,759	866	8,040	1,556		13,221
356	36	1,154	226		1,772
6,364	3,288	16,102	2,433		28,187

Waste Management	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Liability	Interest	Service	Total
Within 1 Year	982	586	17,655	19,223
2-5 Years	0	0	0	0
Total	982	586	17,655	19,233

Myatt's Field	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Liability	Interest	Service	Total
Within 1 Year	2,909	4,791	3,216	10,916
Within 2-5 Years	13,609	17,544	13,719	44,872
Within 6-10 Years	18,739	16,062	24,090	58,891
Within 11-15 Years	23,604	9,281	29,497	62,382
Within 16-20 Years	14,046	3,046	10,170	27,262
Total	72,907	50,724	80,692	204,323

Norwood Hall	2019/20 £'000	2019/20 £'000	2019/20 £'000	2019/20 £'000
	Liability	Interest	Service	Total
280	596	207		1,083
1,265	2,393	953		4,611
1,778	2,863	1,774		6,415
1,571	2,361	2,806		6,738
2,443	2,619	2,299		7,361
7,337	10,832	8,039		26,208

24. Provisions

Description	31-Mar-19 £'000	Additional provision £'000	Utilised £'000	Released £'000	31-Mar-20 £'000
Dilapidations GF	(261)	0	65	196	0
Insurance Fund GF	(3,279)	(1,701)	1,106	0	(3,874)
NNDR Provision for Appeals	(5,724)	(625)	1,518	1,780	(3,051)
Redress Scheme	(83,277)	(25,000)	67,793	0	(40,484)
Tax & VAT Assessments	(285)	0	0	0	(285)
Small Provisions	(103)	(24)	101	2	(24)
Disputes	(1,443)	0	0	0	(1,443)
Sub-Total GF Provisions	(94,373)	(27,350)	70,584	1,978	(49,161)
Insurance Fund HRA	(2,121)	(336)	401	0	(2,056)
Sheltered Housing Provision	(96)	0	0	0	(96)
RTB receipts- Interest Penalties	(3,478)	0	3,478	0	0
Sub-Total HRA Provisions	(5,695)	(336)	3,879	0	(2,152)
Total Council Provisions	(100,068)	(27,686)	74,463	1,978	(51,313)

All provisions are reviewed annually to ensure they are at an appropriate level. Below are further details on material provisions.

- **The Insurance Fund provisions** hold the balances 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, split between the General Fund and the Housing Revenue Account. The 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 1992 to date, and also makes a calculation for any incurred but not reported claims (IBNR).
- **Provision for Appeals** was introduced alongside the business rates retention scheme. The provision is calculated

through applying the change in past rateable values based on successful appeals and applying this to current outstanding appeals, as supplied by the Valuations Office Agency, and the Council's share is shown above and below.

The following table analyses provisions on the basis of the profile of their use, based on best estimates where the information is not known.

2019/20	Less than one year	Between one year and five years	Greater than five years	Balance at 31 March 2020
Description	£'000	£'000	£'000	£'000
Insurance fund GF	(1,142)	(1,795)	(937)	(3,874)
NNDR Provision for Appeals	(2,426)	(625)	0	(3,051)
Redress Scheme	(23,133)	(17,351)	0	(40,484)
Tax & VAT Assessments	(285)	0	0	(285)
Small Provisions	(24)	0	0	(24)
Disputes	(1,443)	0	0	(1,443)
Sub-Total GF Provisions	(28,453)	(19,771)	(937)	(49,160)
Insurance Fund HRA	(610)	(950)	(496)	(2,056)
Sheltered Housing Provision	(96)	0	0	(96)
Sub-Total HRA Provisions	(706)	(950)	(496)	(2,152)
Total Council Provisions	(29,159)	(20,721)	(1,433)	(51,313)

25. Contingent Liabilities

The Council has one contingent liability. In August 2019 The Court of Appeal in *Brazel V The Harper Trust* handed down a ruling regarding the calculation of annual leave entitlement impacting permanent staff employed on a term time contract, stating that their basic statutory annual leave entitlement could not be pro-rated to reflect the number of weeks actually worked. The Council has been reviewing its current and past contracts to ensure it is compliant with the new ruling. Where amendments are required, the Council may face a financial liability to account for any backdated adjustments. It is not possible at this stage to quantify what this value could be.

The council along with a number of other authorities entered into agency agreements to collect water rates on behalf of Thames Water. Following the case of *Ross -v- R B of Kingston Upon Thames*, there is a potential need for councils to refund excess charges to current and former tenants. The Council has already set aside earmarked reserves in the HRA to cover these potential payments, which are currently estimated to total £19m.

26. Pensions Schemes Accounted for as Defined Contribution Schemes

The Council participates in the Teachers' Pension Scheme and the NHS Pension Scheme, which are themselves defined benefit schemes. These schemes are unfunded and the relevant department uses a notional fund as the basis for calculating the employers' contribution paid by the employer. Valuations of the notional fund are undertaken every four years. However, these are multi-employer schemes and due to the number of participating employers it is not possible to identify the Council's share of the underlying liabilities in the scheme attributable to its own employees with sufficient reliability for accounting purposes, they are accounted for on the same basis as a defined contribution scheme. The Council is not liable to the schemes for any other entity's obligations under the plan.

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2019/20 the Council paid £14.2m to the Teachers' Pension Agency (TPA) (£11.1m in 2018/19), representing 23.68% of pensionable pay (16.48% in 2018/19). The contributions due to be paid in the next financial year are estimated to be £23.1m in 2020/21 or 23.68% of pensionable pay. For 2019/20 the Council made contributions to the NHS Pension Scheme of £0.06m (£0.06m in 2018/19).

27a. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that employees earn their future entitlement.

The Council participates in two funded defined benefit final salary schemes under the Local Government Pension Scheme (LGPS). The first is administered locally by Lambeth Pension Fund, to which most non-teaching Council employees belong. The governance of the scheme is the responsibility of the London Borough of Lambeth. The second is administered by the London Pensions Fund Authority (LPFA) to which most non-teaching staff employed in schools belong and the governance of the scheme is the responsibility of the Authority. The LGPS rewards years of service with rights to retirement lump sums and

pensions based on final salaries. The Scheme also provides additional benefits for ill-health retirement, early retirement attributable to redundancy or in the interests of business efficiency and death in service. Both of these funds are part of the national Local Government Pension Scheme (LGPS), which as of 1st April 2014, changed from being a final salary scheme to a career average scheme.

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

The liabilities of the LBL Pension Fund and the LPFA Pension Fund attributable to the Council are assessed on an actuarial basis using the projected unit credit method, an estimate of the current value of benefits payable in future years, dependent on assumptions about future mortality rates, salary levels etc. The London Borough of Lambeth liabilities were assessed by Hymans Robertson LLP and the LPFA liabilities were assessed by Barnett Waddingham Public Sector Consulting, both of whom are independent firms of actuaries. Both are included in the following table. Council liabilities are based on the latest full valuation of the scheme as at 31 March 2020.

	2019/20			2018/19		
	Scheme Assets £000	Pensions Obligations £000	Net Pensions Liability £000	Scheme Assets £000	Pensions Obligations £000	Net Pensions Liability £000
Opening Balance at 1 April	1,482,689	(2,257,502)	(774,813)	1,421,970	(2,058,135)	(636,165)
Current Service Cost	0	(55,951)	(55,951)	0	(44,719)	(44,719)
Past Service cost and gains/losses on curtailments	0	(872)	(872)	0	(12,077)	(12,077)
Interest Income and Expense	35,296	(54,084)	(18,788)	38,007	(55,332)	(17,325)
Admin Expense	(100)	0	(100)	(96)	0	(96)
Remeasurements						
Return on Plan Assets	(39,936)	0	(39,936)	38,473	3,206	41,679
Other actuarial gains and (losses) on assets	(2,470)	0	(2,470)	0	0	0
Actuarial gains and (losses) arising from changes in demographic assumptions	0	45,460	45,460	0	2,226	2,226
Actuarial gains and (losses) from changes in Financial Assumptions	0	172,103	172,103	0	(152,098)	(152,098)
Experience adjustments	0	69,091	69,091	0	0	0
Contributions						
The Council	44,096	0	44,096	42,445	0	42,445
Employees	8,971	(8,971)	0	8,143	(8,143)	0
Payments						
Retirement Grants and Pensions	(76,796)	76,796	0	(65,551)	65,551	0
Settlements	0	0	0	(702)	2,019	1,317
Closing Balance at 31 March	1,451,750	(2,013,930)	(562,180)	1,482,689	(2,257,502)	(774,813)

A change in any of the key assumptions can have a significant impact upon the size of the Council's pension liabilities, which would require the Council during its triennial review to adjust the amount it must pay the Lambeth Pension Fund. The biggest risks include an increase in member life expectancy, salary and pension accumulation rate or a decrease in the real discount rate, which would have an impact on the Council's liability to the Pension Fund.

The discount rate is the amount in today's money that is required to pay future obligations – a higher discount rate means a lower requirement to meet future payments. This is why the actuaries prudently use a discount rate based on highly rated corporate bond yields, as a small change in these would have a very large impact upon the size of the liability, which taxpayers are statutorily bound to pay.

The principal assumptions used by the actuaries have been:

	LPFA		Lambeth	
	2019/20	2018/19	2019/20	2018/19
Longevity at 65 for current pensioners: Men	20.6 years	19.9 years	21.3 years	21.6 years
Women	23.5 years	22.9 years	23.5 years	23.9 years
Longevity at 65 for future pensioners: Men	22.1 years	21.7 years	22.7 years	23.8 years
Women	25.0 years	24.8 years	25.0 years	26.0 years
Rate of increase in salaries	2.95%	4.00%	2.40%	2.90%
Rate of increase in pensions(CPI)	1.95%	2.50%	1.90%	2.50%
Rate for discounting scheme liabilities	2.30%	2.30%	2.30%	2.40%

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 39. The

Council is entitled to 97% of the assets and liabilities of the Pension Fund, details of which can be found within the Pension Fund notes 1-24.

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The Council's share of the LPFA Asset Breakdown can be found below, but it must be remembered that the Council only represents 1% of the assets.

LPFA Employer Asset Share – Bid Value	31 March 2020		31 March 2019	
	£'000s	%	£'000s	%
Equities	37,882	55	41,961	62
LDI/Cashflow matching	0	0	0	0
Target Return Portfolio	17,046	24	20,569	22
Infrastructure	4,908	7	4,647	4
Commodities	0	0	0	0
Property	6,387	9	7,253	7
Cash	3,714	5	2,700	5
Total	69,937	100	77,130	100

The following is the Asset Breakdown for the Lambeth Pension Fund scheme assets.

LBL Pension Fund Employer Asset Share – Bid Value	31 March 2020		31 March 2019	
	£'000s	%	£'000s	%
Equity Securities:				
Consumer	38,338	3%	0	0%
Manufacturing	5,130	0%	0	0%
Energy and Utilities	1,917	0%	0	0%
Financial Institutions	53,632	4%	0	0%
Information Technology	38,890	3%	0	0%
Other	0	0%	147,264	10%
Debt Securities:				
UK Government	44,572	3%	54,379	4%
Other	72,007	5%	75,987	5%
Private Equity	56,603	4%	66,361	5%
Real Estate - UK Property	153,312	11%	138,457	10%
Investment Funds and Unit Trusts:				
Equities	475,067	34%	465,446	33%
Bonds	162,609	13%	236,974	17%
Hedge Funds	729	0%	2,253	0%
Other	203,262	15%	193,143	14%
Cash and Cash Equivalents	75,745	5%	25,295	2%
Total	1,381,813	100%	1,405,559	100%

There has been an overall decrease in the net pension liability for 2019/20. The Council's obligations are an estimate, based on the best evidence that the actuaries have at 31st March 2020.

The Council's agreed strategy with the actuary is to achieve a funding level of 100% over 20 years (March 31st 2033). Funding levels are monitored annually and the triennial valuation as expected was completed by 31st March 2019. The estimated employers' contributions for the year ending 31 March 2020 will be approximately £16,934,770. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide

benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

27b. Transactions relating to retirement benefits

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year.

Comprehensive Income and Expenditure Statement	2019/20 £000	2018/19 £000
Cost of Services		
Current Service Cost	55,951	44,719
Past Service cost and gains/losses on curtailments	872	(649)
Admin Expense	100	96
Financing and Investment Income and Expenditure		
Interest Income and Expense (Net)	18,788	17,172
Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	75,711	61,338
Re-measurements of the Net Defined Benefit Liability		
• Return on Plan Assets	39,936	(69,610)
• Other actuarial gains and losses on assets	2,470	0
• Actuarial Gains and Losses from changes in Financial Assumptions	(172,103)	152,098
• Actuarial Gains and Losses arising from changes in demographic assumptions	(45,460)	(2,226)
• Experience Adjustments	(69,091)	0
Total Re-measurements Recognised in CIES	(244,248)	80,262
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(168,537)	141,600

28. Trust Funds

The Council acts as trustee for various funds including bequests and legacies, comfort funds and individual trusts. Some of these are not recognised on the Council's own balance sheet.

	Balance at 31 March 2020 £'000	Balance at 31 March 2019 £'000
Monies Held on behalf of adult care clients	(7,723)	(6,475)
Monies Held on behalf of children in care	(14)	(14)
Wellington Mills - Housing Corporative	(307)	(307)
Others*	(283)	(255)
Total Trust Funds	(8,327)	(7,051)

*This figure includes estates of persons formerly in care, trade union funds and funds for prizes, outings and other activities for children in care.

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

29. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2019/20	Usable Reserves					Unusable Reserves £000s	Relevant Unusable Reserve
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s		
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
Financial instruments	(3,748)	0	0	0	0	3,748	Financial Instruments Adjustment Account
Pensions costs	(30,236)	(1,379)	0	0	0	31,615	Pensions Reserve
Council tax and NNDR	(7,276)	0	0	0	0	7,276	Collection Fund Adjustment Account
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
Amortisation of intangible assets	(1,027)	(75)	0	0	0	1,102	Capital Adjustment Account
Charges for depreciation and impairment	(36,484)	23,467	0	0	0	13,017	
Revenue expenditure funded from capital under statute	(72,194)	0	0	0	0	72,194	
Carrying amounts of non-current assets written off on disposal or sale	(10,530)	(3,994)	0	0	0	14,524	
Capital grant income	960	4,840	0	0	(5,800)	0	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	11,262	12,785	(24,047)	0	0	0	Deferred Capital Receipts
Use of capital receipts for revenue purposes:							
Payments to the Government housing receipts pool	(28,262)	0	28,262	0	0	0	Capital Adjustment Account
Posting of HRA resources from revenue to the Major Repairs Reserve	0	29,992	0	(29,992)	0	0	
Statutory revenue provisions for the financing of capital investment	2,930	3,130	0	0	0	(6,060)	
Capital expenditure financed from revenue balances	533	401	0	0	0	(934)	
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	26,756	0	0	(26,756)	Capital Adjustment Account
Application of S. 106 Receipts to Finance new Capital	3,538	0	0	0	0	(3,538)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	29,741	0	(29,741)	
Application of capital grants to finance capital expenditure	16,206	0	0	0	16,178	(32,384)	
Redress Capitalisation Scheme	42,794	0	0	0	0	(42,794)	Redress Capitalisation Directive Reserve
Cash payments in relation to deferred capital receipts	0	(1)	0	0	0	1	Deferred Capital Receipts
Total Adjustments	(111,534)	69,166	30,971	(251)	10,378	1,270	

2018/19	Usable Reserves					Unusable Reserves £000s	Relevant Unusable Reserve
	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s		
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	832	234	0	0	0	(1,066)	Financial Instruments Adjustment Account
· Pensions costs	(30,187)	(268)	0	0	0	30,455	Pensions Reserve
· Council tax and NNDR	(7,605)	0	0	0	0	7,605	Collection Fund Adjustment Account
· Holiday pay	(11)	7	0	0	0	4	Accumulated Absences Account
Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
· Amortisation of intangible assets	(1,025)	(76)	0	0	0	1,100	Capital Adjustment Account
· Charges for depreciation and impairment	(46,323)	(92,951)	0	0	0	139,274	
· Revenue expenditure funded from capital under statute	(19,986)	0	0	0	0	19,986	
· Carrying amounts of non-current assets written off on disposal or sale	0	(3,864)	0	0	0	3,864	
· Capital grant income	14,436	9,099	0	0	(23,535)	0	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	20,250	13,803	(34,053)	0	0	0	Deferred Capital Receipts
Use of capital receipts for revenue purposes:							
· Payments to the Government housing receipts pool	(3,337)	0	3,337	0	0	0	Capital Adjustment Account
Posting of HRA resources from revenue to the Major Repairs Reserve	0	32,057	0	(32,057)	0	0	
Statutory revenue provisions for the financing of capital investment	2,377	2,935	0	0	0	(5,313)	
Capital expenditure financed from revenue balances	251	7,701	0	0	0	(7,952)	
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	26,125	0	0	(26,125)	Capital Adjustment Account
Application of S. 106 Receipts to Finance new Capital	2,336	0	0	0	0	(2,336)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	32,057	0	(32,057)	
Application of capital grants to finance capital expenditure	22,349	0	0	0	19,542	(41,890)	
Redress Capitalisation Scheme	14,689	0	0	0	0	(14,689)	Redress Capitalisation Directive Reserve
Total Adjustments	(30,954)	(31,322)	(4,590)	0	(3,994)	70,861	

30a. Usable Reserves

	2019/20 £'000	2018/19 £'000
General Fund	(21,308)	(21,308)
LMS Balances	(10,738)	(13,735)
Earmarked Reserves – General Fund*	(96,531)	(73,038)
Earmarked Reserves - HRA	(48,590)	(46,923)
Housing Revenue Account	(11,506)	(10,767)
Capital Receipts Reserve	(38,197)	(69,169)
Capital Grants Unapplied Account	(68,533)	(78,911)
Major Repairs Reserve	0	251
Total Usable Reserves	(295,403)	(313,599)

* **General Fund** – Used for any non-housing purpose of a revenue or capital nature.

30b. LMS Balance – Ring-fenced for the local management of schools

LMS BALANCE	2019/20 £'000	2018/19 £'000
Balance at 01 April	(13,735)	(15,150)
Overspent School Balances	5,516	5,371
Underspent School Balances	(2,519)	(3,956)
Balance at 31 March	(10,738)	(13,735)

30c. General Fund and Housing Revenue Account Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20.

General Fund Reserves	Balance at 31 March 2019 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2020 £'000
Earmarked Grants & Budget Carry-Forwards	(15,172)	(9,120)	4,694	(19,598)
Information and Communication Technology Investment	(373)	(2,000)	301	(2,072)
Insurance and Risk Management	(4,469)	(13,681)	0	(18,150)
Property and Assets	(17,916)	(7,454)	2,958	(22,412)
Transformation	(8,938)	(0)	7,818	(1,120)
Medium Term Financial Risk Reserve	(4,177)	(8,336)	1,203	(11,310)
Economic Cycle Resilience Reserve	(9,600)	0	0	(9,600)
CIL Reserve	(12,393)	(1,501)	1,625	(12,269)
GF Sub-total	(73,038)	(42,092)	18,599	(96,531)
Housing Revenue Account Reserves				
Insurance and Risk Management	(30,868)	(982)	0	(31,850)
Property and Assets	(16,055)	(685)	0	(16,740)
HRA Sub-total	(46,923)	(1,667)	0	(48,590)
Council Total	(119,961)	(43,759)	18,599	(145,121)

The **Earmarked Grants and Budget Carry-Forwards reserves** were created to provide funds for specific grant-funded projects, and to finance expenditure that has been committed to but not yet incurred at balance sheet date.

The **Information and Communication Technology Investment** reserves serve to fund the expenditure necessary on ICT projects as part of the Council's continuing transformation.

The **Insurance and Risk Management** reserves set aside funding to meet potential future costs that may fall to the Council. The largest single element, the Insurance Fund, is intended to provide the means to self-insurance (thus reducing the expenditure on insurance premiums).

The **Property and Assets** reserves are intended to support investment in the Council's assets.

The **Transformation** reserves provide the funding to facilitate large organisational changes. Funds have been transferred out of this reserve to the Medium Term Financial Risk Reserve in year to support the future financial risks associated with the continuing impact of Covid-19.

The **Medium Term Financial Risk Reserve** is to support the Council through future shortfalls in funding and challenges in balancing its budget over the medium term.

The **Economic Cycle Resilience Reserve** is to protect the Council when facing potential future deteriorations in its business rate income, given that local authorities are now more reliant on this as a source of funding.

The **CIL Reserve** is made up of Community Infrastructure Levy contributions to be used to fund future infrastructure related works.

30d. Capital Receipts Reserve – Holds proceeds from the disposal of land or other assets. Statute restricts the use of the proceeds to the funding of new or historical capital expenditure.

	2019/20 £'000	2018/19 £'000
Balance brought forward 1 April	(69,169)	(64,578)
Capital receipts in year	(24,046)	(33,802)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	28,262	3,337
Financing of capital expenditure	26,756	25,875
Balance carried forward 31 March	(38,197)	(69,169)

30e. Capital Grants Unapplied Account – Holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	2019/20 £'000	2018/19 £'000
Balance brought forward 1 April	(78,911)	(74,917)
Grants transferred to the account in year	(5,800)	(23,536)
Grants applied to capital expenditure	16,178	19,542
Balance carried forward 31 March	(68,533)	(78,911)

30f. Major Repairs Reserve – Controls an element of the capital resources set aside for use on HRA assets or for financing historical capital expenditure by the HRA.

	2019/20 £'000	2018/19 £'000
Balance brought forward	251	251
Debits to the MRR in respect of capital expenditure	29,741	32,057
Transfer from HRA equal to depreciation	(29,992)	(32,057)
Total	0	251

31. Unusable Reserves

Unusable Reserve	Adjustments between Accounting and Funding Basis 2019/20						Closing Balance 31 Mar 2020 £000
	Opening Balance	Other Comprehensive Income and Expenditure 2019/20	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	
	1 Apr 2019 £000	(CIES) £000	£000	£000	£000	£000	
Revaluation Reserve	(901,679)	(72,047)	0	0	0	20,363	(953,363)
Financial Instruments Adjustment Account	185	0	3,748	0	0	0	3,933
Pensions Reserve	774,813	(244,248)	31,615	0	0	0	562,180
Collection Fund Adjustment Account	(15,330)	0	7,276	0	0	0	(8,054)
Accumulated Absences Account	4,100	0	0	0	0	0	4,100
Capital Adjustment Account	(1,906,954)	0	100,837	(6,994)	(92,419)	(20,363)	(1,925,893)
Deferred Capital Receipts	(392)	0	0	0	1	0	(391)
Redress Capitalisation Directive Reserve	83,278	0	0	0	(42,794)	0	40,484
Total	(1,961,979)	(316,295)	143,476	(6,994)	(135,212)	0	(2,277,004)

Unusable Reserve	Adjustments between Accounting and Funding Basis 2018/19						Closing Balance 31 Mar 2019 £000
	Opening Balance	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	
	1 Apr 2018 £000	(CIES) £000	£000	£000	£000	£000	
Revaluation Reserve	(1,044,268)	122,940	0	0	0	19,650	(901,679)
Financial Instruments Adjustment Account	1,250	0	(1,066)	0	0	0	185
Pensions Reserve	636,165	108,193	30,455	0	0	0	774,813
Collection Fund Adjustment Account	(22,935)	0	7,605	0	0	0	(15,330)
Accumulated Absences Account	4,096	0	4	0	0	0	4,100
Capital Adjustment Account	(1,935,857)	0	164,225	(13,265)	(102,408)	(19,650)	(1,906,954)
Deferred Capital Receipts	(393)	0	0	0	1	0	(392)
Redress Capitalisation Directive Reserve	97,967	0	0	0	(14,689)	0	83,278
Total	(2,263,975)	231,133	201,223	(13,265)	(117,096)	0	(1,961,979)

Revaluation Reserve - Contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

Pensions Reserve - Absorbs the timing differences arising from the different accounting arrangements between statutory provisions and accounting practice for post-employment benefits and funding benefits. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees.

The balance sheet is updated to recognise the movement in liabilities due to changes in assumptions (including inflation and longevity) and investment returns on resources set aside to meet the cost of the employee benefits.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The Pensions Reserve balance reflects the substantial shortfall between the benefits Pension Fund members have earned and the resources the Council set aside to meet them.

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

Capital Adjustment Account - Absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 29 to the MIRs provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

Deferred Capital Receipts Reserve - Holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Financial Instruments Adjustment Account - Absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance and Housing Revenue Account (HRA) to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance and HRA in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed (maximum of 10 years on the HRA). As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund over the next 10 years and to the HRA for the next three years.

Collection Fund Adjustment Account - Manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income and Expenditure Statement as it falls due from taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

Accumulated Absences Account - Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March.

Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

NOTES TO THE CASH FLOW STATEMENT

32. Investing Activities

	2019/20 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	126,224	131,479
Purchase of short-term and long-term investments	40,000	27,500
Other payments for investing activities	2,283	0
Proceeds from the sale of property, plant and equipment and intangible assets	(24,047)	(34,053)
Proceeds from short-term and long-term investments	(20,000)	(81,500)
Other receipts from investing activities	(33,303)	(55,499)
Net cash flows from investing activities	91,157	(12,073)

33. Financing Activities

	2019/20 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	(150,000)	(40,000)
Council Tax and NNDR adjustments	7,636	30,895
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,243	4,769
Repayments of short- and long-term borrowing	0	6,411
Net cash flows from financing activities	(137,121)	2,075

34. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2019/20 £'000	2018/19 £'000
Interest received	(1,160)	(530)
Interest paid	33,541	31,245

35. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

	2019/20 £'000	2018/19 £'000
Cash held by the Authority	63	74
Bank current accounts in current assets	31,530	50,729
Short-term deposits with banks	178	5,133
Total Cash and Cash Equivalents	31,772	55,936

36. Reconciliation of Liabilities Arising From Financing Activities

	31 March 2019 £'000	Financing Cash Flows £'000	Non-cash changes Acquisition £'000	Other non-cash changes £'000	31 March 2020 £'000
Long-term borrowings	(441,634)	(150,000)	0	(24)	(591,658)
Short term borrowings	(6,533)	0	0	(541)	(7,074)
On balance sheet PFI liabilities	(101,359)	5,243	0	0	(96,116)
Total liabilities from financing activities	(549,526)	(144,757)	0	(565)	(694,848)

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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.

		2019/20		2018/19	
	Note	£'000	£'000	£'000	£'000
Income					
Dwelling rents		(135,371)		(138,940)	
Non dwelling rents		0		(2)	
Charges for services and facilities		(37,786)		(36,226)	
Contributions Towards Expenditure		(610)		(4,227)	
PFI Credit		(7,729)		(7,729)	
			(181,496)		(187,124)
Expenditure					
Repairs and maintenance		26,786		24,683	
Supervision and management		86,594		81,820	
Rents, rates, taxes and other charges		9,220		8,060	
Depreciation of property, plant and equipment	41	29,992		32,037	
Impairment / Revaluation (gain) / loss	41	(53,384)		60,970	
			99,208		208,409
Net cost of HRA services included in the Comprehensive Income and Expenditure Statement			(82,288)		20,446
HRA share of Corporate and Democratic Core			602		601
Net Expenditure of HRA Services			(81,686)		21,047
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement					
Interest payable and similar charges – other			23,255		26,145
Gain or Loss on disposal			(8,791)		(9,939)
Interest and investment income			(747)		(221)
Impairments on Receivables			1,237		839
Capital Grants and Contributions - other			(4,840)		(9,099)
(Surplus)/Deficit for the year on HRA services			(71,572)		28,772

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2019/20		2018/19	
	£'000	£'000	£'000	£'000
Balance on the HRA at the end of the previous year		(10,766)		(10,750)
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(71,572)		28,773	
Adjustments Between Accountancy Basis and Funding Basis under Statute	69,166		(31,322)	
Net (Increase) or Decrease before Transfers to or from Reserves		(2,406)		(2,549)
Transfers to or (from) Reserves (see Note 30c)		1,667		2,533
(Increase) or Decrease in year on the HRA		(739)		(16)
Balance on the HRA at the end of the current year		(11,505)		(10,766)

NOTES TO THE HOUSING REVENUE ACCOUNT

37. Analysis of the movement on the HRA balance:

	2019/20 £'000	2018/19 £'000
Items included in the HRA Income and Expenditure Statement 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	0	234
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:		
Impairments / Revaluation loss	53,384	(60,970)
Capital Grants and Contributions	4,840	9,099
Depreciation of non-current assets	(29,992)	(32,057)
Carrying amount of non-current assets disposed of	(3,994)	(3,864)
Mitigation of accumulated absences provision	0	7
Net charges made for retirement benefits in accordance with IAS 19	5,065	4,927
Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:		
Capital expenditure financed from revenue balances	401	7,701
Minimum Revenue Provision	3,130	2,935
Transfer to Major Repairs Reserve	29,992	32,057
Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets	12,785	13,802
Transfer from Deferred Capital Receipts Reserve	(1)	0
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	(6,444)	(5,194)
Total Adjustments Between Accountancy Basis and Funding Basis under Statute	69,166	(31,322)

38. Housing stock

	31 March 2019	Movement	31 March 2020
Flats	19,890	24	19,914
Houses	3,884	(5)	3,879
Multi-occupied	181	0	181
Total	23,955	19	23,974
Right to buy sales		(46)	
Buybacks		62	
New creations		3	
Total movement		19	

39. HRA assets

	2019/20 £'000	2018/19 £'000
Council dwellings	2,254,295	2,147,366
Other Land & Buildings	126,178	134,408
Community Assets	177	177
Surplus	22,309	5,429
Assets held for sale	1,636	33
Vehicles, Plant & Equipment	39,319	34,583
Assets under Construction	21,806	20,021
Intangibles	0	76
Infrastructure	1,663	0
TOTAL	2,467,383	2,342,093

40. Capital expenditure, financing and receipts

	2018/19 £'000	2018/19 £'000
HRA capital expenditure		
Works to dwellings	35,089	33,393
Other Land & Buildings	54	0
Vehicles, Plant & Equipment	8,756	12,601
Revenue funded from capital under statute	0	818
Infrastructure	1,663	0
Total HRA capital expenditure	45,562	46,812
Financing of capital expenditure		
Borrowing	9,793	0
Usable Capital Receipts	0	0
Major Repairs Reserve less Decent Homes	29,741	32,057
Section 20	5,627	7,626
Reserves / Revenue	401	7,129
Total financing of capital expenditure	45,562	46,812

41. Depreciation and impairment

	2019/20 £'000	2018/19 £'000
Depreciation charged to the HRA I&E for the year		
Operational assets		
- dwellings	24,510	27,627
- other property	5,425	4,397
Non-operational assets		
- dwellings	57	10
- other property	0	0
Total Depreciation	29,992	32,057

Impairments and revaluation losses charged to the HRA I&E for the year		
Operational assets		
- dwellings	29,299	60,253
- other property	1,736	219
Non-operational assets		
- dwellings	80	0
- other property	242	221
	31,357	60,693
Revaluation / Impairment losses reversed in the HRA I&E for the year		
Operational assets		
- dwellings	(74,228)	(779)
- other property	(63)	(1,893)
Non-operational assets		
- dwellings	(10,450)	0
	(84,741)	(2,672)
Net Impairment	(53,384)	58,021

42. Rent arrears

	2019/20	2018/19
	£'000	£'000
Arrears as at 31st March	12,574	11,121
Impairment on receivables	(5,662)	(5,002)
Collectable amount	6,912	6,119

43. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31st December 2019 was £8.842 billion (£8.674 billion at 31 December 2018) which has been reduced to £2.211 billion (£2.168 billion at 31 December 2018) billion to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents. There was no further valuation changes for dwellings as at 31st March 2020.

The value of dwellings increased by a further £44 million (2%) between valuation dates on the 31st December 2019 and 31st March 2020 to £2.254 billion. This increase can be attributed to a 2% uplift on buildings and land values. The Vacant Possession value also increased by £175 million in line with the uplift to a total of £9.017 billion.

44. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £6.51m (charge of £5.26m in 2018/19), as per proper practice. The impact of this on the HRA balance is nullified by means of a reversing entry in the Movement in Reserves Statement.

COLLECTION FUND

The Collection Fund is a statutory statement relating to the collection of income received from Council Tax and business rates, known as National Non-Domestic Rates (NNDR). The account shows how the income received is distributed between the Council's General Fund, Central Government and the Greater London Authority.

COLLECTION FUND	2019/20			2018/19		
	NNDR	Council Tax	Total	NNDR	Council Tax	Total
	£'000	£'000	£'000	£'000	£'000	£'000
INCOME						
Council Tax Receivable		(162,318)	(162,318)		(153,275)	(153,275)
Business Rates Receivable	(166,215)		(166,215)	(161,153)		(161,153)
Business Rates Supplement	(5,052)		(5,052)	(4,875)		(4,875)
	(171,267)	(162,318)	(333,585)	(166,028)	(153,275)	(319,303)
EXPENDITURE						
LB Lambeth	80,640	122,882	203,522	104,467	117,626	222,093
Central Government	42,000	0	42,000	0	0	0
Greater London Assembly (GLA)	45,360	35,018	80,378	58,763	31,692	90,455
Business Rates Supplement						
Payment to GLA	5,052	0	5,052	4,875	0	4,875
Charges to Collection Fund						
Write-offs of uncollectable amounts	835	4,753	5,588	715	2,427	3,142
Increase/(Decrease) in Impairment on receivables	(1,932)	(889)	(2,821)	(182)	3,504	3,322
Increase/(Decrease) in Provision for Appeals	(2,587)	0	(2,587)	(1,697)	0	(1,697)
Transitional Protection Payments	(5,704)	0	(5,704)	(11,775)	0	(11,775)
Disregarded Amount	37	0	37	0	0	0
Cost of Collection	495	0	495	507	0	507
	164,196	161,764	325,960	155,673	155,249	310,922
(Surplus) / Deficit during year	(7,071)	(554)	(7,625)	(10,355)	1,974	(8,381)
Collection Fund (Surplus)/Deficit at 1 April	(16,203)	(9,163)	(25,366)	(35,270)	(16,022)	(51,292)
Fund balance distributed in year	14,569	4,886	19,455	29,422	4,886	34,308
(Surplus) / Deficit during year	(7,071)	(554)	(7,625)	(10,355)	1,973	(8,382)
Collection Fund (Surplus)/Deficit at 31 March	(8,705)	(4,831)	(13,536)	(16,203)	(9,163)	(25,366)
Analysis of Fund balance distributed in year:						
LB Lambeth	7,336	3,849	11,185	8,827	3,849	12,676
Central Government	1,930	0	1,930	15,871	0	15,871
GLA	5,303	1,037	6,340	4,724	1,037	5,761
	14,569	4,886	19,455	29,422	4,886	34,308

SHARE OF BALANCES BETWEEN LONDON BOROUGH OF LAMBETH AND ITS PRECEPTORS

The Collection Fund Income and Expenditure Account is prepared on an accruals basis. Lambeth, as the billing agent, includes appropriate shares of the year end balances in its balance sheet and those of its preceptors. The apportionment is detailed in the table below.

COLLECTION FUND	Total Collection Fund		Central Government		London Borough of Lambeth		Greater London Assembly	
	£'000s		£'000s		£'000s		£'000s	
	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR
Apportionment Basis	100%	100%	N/A	25%	77.8%	48%	22.2%	27%
Arrears	37,022	9,524	N/A	2,381	28,803	4,572	8,219	2,572
Impairment on receivable	(22,573)	(1,649)	N/A	(412)	(17,562)	(791)	(5,011)	(445)
Appeals Provision	N/A	(6,358)	N/A	(1,589)	N/A	(3,052)	N/A	(1,717)
Overpayments & Pre-payments	(8,750)	(12,085)	N/A	(3,021)	(6,808)	(5,801)	(1,943)	(3,263)
(Surplus)/Deficit	(4,831)	(8,705)	N/A	(1,768)	(3,578)	(4,440)	(1,254)	(2,497)

NOTES TO THE COLLECTION FUND

45. Council Tax

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. The localisation of Council Tax caused a reduction of the Council Tax Requirement, as Council Tax Support now forms part of the Council's financial settlement rather than an aspect of the Collection Fund, which lowered the tax base.

For the year ended 31 March 2020, the band D Council Tax was set at £1,445.20 based upon a tax base of 109,258 (for 2018/19, £1,386.27 based upon a tax base of 107,712) and includes the £320.51 requirement of the Greater London Authority (£294.23 in 2018/19). The table below shows the calculation of the Council Tax Base for 2019/20.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,747	3,224	6/9	2,149
B	31,905	22,011	7/9	17,120
C	40,586	32,315	8/9	28,725
D	31,590	26,402	9/9	26,402
E	15,033	13,168	11/9	16,094
F	9,324	8,594	13/9	12,414
G	5,315	5,130	15/9	8,549
H	910	884	18/9	1,768
TOTALS	139,410	111,728		113,221
Adjustment for collection rate				(3,963)
Tax base for Council Tax purposes				109,258

46. National Non-Domestic Rates are set by Parliament, which specifies an amount, 50.4p in 2019/20 (49.3p in 2018/19) as the standard multiplier and 49.1p as the small business rate multiplier (48.0p in 2018/19). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2019/20 NNDR income is based upon a total rateable value for the borough of £424.2m as at 31 March 2020 (£421.2m at 31 March 2019).

In 2019-20 Lambeth participated in the London Business Rates Pilot Pool, which resulted in a change in the distribution of NNDR income. NNDR is now divided into two elements: the top-up amount (as Lambeth collects less than it 'needs') and the retained element, which is contained within the Collection Fund. The retained element is an estimate of the billing authority collection level. The amount that the Council collects is divided between Lambeth (48%), GLA (27%) and Central Government (25%). The Revenue Support Grant (RSG) is now zero as this grant has been rolled into Business Rates Retained Amount.

In 2019/20, the payment is based upon the 2019/20 estimated collection and 2018/19 surplus/deficit. However, as the 2019/20 NNDR1 is returned before the end of 2018/19, in 2020/21 an adjustment must be made between the actual and the estimated surplus/deficit. Every subsequent year, an adjustment figure is required, but in Year 2, only the estimated collection, the estimated deficit/surplus and the Appeals Provision, Transition Costs and Impairment on receivable charges form part of the Collection Fund. The Appeals Provision figure reflects estimated losses from businesses successfully appealing past rates, while the impairment on receivable reflects the probable non-payment of rates whose debt was legitimately raised.

47. Business Rate Supplements (BRS)

BRS were introduced by the Business Rate Supplements Act 2009. A Business Rate Supplement is a non-exchange transaction, and as such is accounted for under IPSAS 23 (International Public Sector Accounting Standard) Revenue from Non-Exchange Transactions (Taxes and Transfers). Lambeth (LBL) bills its ratepayers for the Crossrail BRS. This income is not the income of the authority and is not included in the Comprehensive Income and Expenditure Statement. Amounts deducted from BRS income to meet administrative expenses are the authority's income.

The accounting statement shows:

- Amounts required by statute to be credited to the Collection Fund, i.e. income collectable in respect of BRS
- Amounts to be debited to the Collection Fund, i.e. payments to the Council's BRS Account and administrative costs.

GROUP ACCOUNTS

The Group Accounts are a consolidation of the financial statements of London Borough of Lambeth and its wholly owned subsidiary HFL Group Limited.

HFL GROUP LIMITED is a parent company to:

HFL BUILD LIMITED
HFL HOMES LIMITED
HFL LIVING LIMITED

The accounts of HFL GROUP LIMITED that have been consolidated into the following Group Accounts, are themselves a consolidation of the financial statements of the four companies.

The following statements and notes are presented in addition to the Council's 'single entity' financial statements. We have included here only the statements and notes considered necessary to show the full picture of the Council's economic activities and financial position when viewed in conjunction with the single entity accounts.

The Group Accounts comprise:

- Group Comprehensive Income & Expenditure Statement;
- Group Movement in Reserves Statement; and
- Group Balance Sheet.
- Group Cash Flow Statement

Notes to the Group Accounts:

- Accounting Policies
- Property, Plant & Equipment
- Capital Commitments
- Unusable Reserves
- Investing Activities
- Financing Activities

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

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

	2019/20			2018/19		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Health	174,629	(78,550)	96,079	169,442	(77,262)	92,180
Legal, Strategy & Communications	13,825	(2,931)	10,894	12,550	(16,122)	(3,572)
Children's Services	371,255	(268,630)	102,625	359,954	(270,468)	89,486
Corporate Items	30,033	(556)	29,477	41,823	(75)	41,748
Finance & Investment	111,052	(77,038)	34,014	30,748	(10,068)	20,680
Housing Revenue Account	99,810	(181,496)	(81,686)	208,171	(187,122)	21,049
Resident Services	371,480	(284,170)	87,310	396,081	(296,527)	99,554
Sustainable Growth & Opportunity	14,068	(8,188)	5,880	13,406	(7,285)	6,121
HfL Group	1,642	(537)	1,105	1	(42)	(41)
COST OF SERVICES	1,187,794	(902,096)	285,698	1,232,176	(864,971)	367,205
Levies			3,915			4,195
Payments to the Government			28,262			3,337
Housing Capital Receipts Pool						
(Gains)/losses on the Disposal of Non-Current Assets			(9,716)			(29,939)
Other Expenditure			100			96
Other Operating (Income)/Expenditure			22,561			(22,311)
Interest Payable and Similar Charges - other			37,393			31,368
Net interest on the net pensions liability			18,788			17,325
Investment Interest income			(821)			(931)
Impairments on Receivables			12,285			9,454
Impairment Losses / (Gains) on Investments			3,759			0
Financing and Investment Income and Expenditure			71,404			57,216
Taxation and Non-Specific Grant Income			(358,401)			(362,860)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES			21,262			39,250
Tax expenses of subsidiaries			0			0
Group (Surplus)/Deficit			21,262			39,250
Loss / (Gain) on revaluation of non-current assets			(71,965)			122,941
Remeasurements of the Net Defined Benefit Liability			(244,248)			108,193
Other Comprehensive (Income) and Expenditure			(316,213)			231,134
Total Comprehensive Income and Expenditure			(294,951)			270,384

This Group version of the Comprehensive Income & Expenditure Statement (CIES) includes a separate line for HfL Group showing Gross Expenditure and Gross Income as part of the Cost of Services. There are also costs incurred by HfL Group Limited within the lines for Interest Payable and Similar Charges and for Impairments on Receivables. All other items of Income and Expenditure included above are as per the London Borough of Lambeth CIES.

GROUP MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the individual 'usable reserves' (that is those that can be applied to fund expenditure or reduce local taxation) held by the authority, and there is one column for unusable reserves. The Total Comprehensive Income and Expenditure line here shows the surplus / deficit on the provision of services in the total usable reserves column and the other comprehensive (income) and expenditure in the unusable reserves column. These show the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

2019/20	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Subsidiary Reserves – HfL Group Limited £'000	Total Group Reserves £'000
Balance at 31 March 2019 brought forward	(108,081)	(57,690)	(69,168)	251	(78,911)	(313,599)	(1,961,979)	(2,275,578)	697	(2,274,881)
Total Comprehensive Income and Expenditure	91,038	(71,572)	0	0	0	19,466	(316,295)	(296,829)	1,878	(294,951)
Adjustments between group accounts and authority accounts	(82)	0	0	0	0	(82)	82	0	0	0
Adjustments between accounting basis & funding basis under regulations	(111,452)	69,166	30,971	(251)	10,378	(1,188)	1,188	0	0	0
(Increase)/Decrease in 2019/20	(20,496)	(2,406)	30,971	(251)	10,378	18,196	(315,025)	(296,829)	1,878	(294,951)
Balance at 31 March 2020 carried forward	(128,577)	(60,096)	(38,197)	0	(68,533)	(295,403)	(2,277,004)	(2,572,407)	2,575	(2,569,832)
GF and HRA Balance analysed over										
Earmarked reserves (Note 30a)	(96,531)	(48,590)								
LMS (Schools) Balance	(10,738)									
Balances not earmarked	(21,308)	(11,506)								
Balance at 31 March 2020	(128,577)	(60,096)								

The Group Movement in Reserves Statement includes an extra column for the Subsidiary Reserves for HfL Group Limited and simply adds these onto the reserves shown in the Movement in Reserves Statement in the single-entity accounts.

The HfL Group Limited reserves have been adjusted to remove the £8m worth of equity that was issued to Lambeth council in exchange for assets transferred across in year.

2018/19	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000	Subsidiary Reserves – HfL Group Limited £'000	Total Group Reserves £'000
Balance at 31 March 2019 brought forward	(86,936)	(55,140)	(64,578)	251	(74,917)	(281,320)	(2,263,974)	(2,545,293)	28	(2,545,266)
Total Comprehensive Income and Expenditure	9,809	28,772	0	0	0	38,581	231,134	269,714	670	270,384
Adjustments between accounting basis & funding basis under regulations	(30,954)	(31,322)	(4,590)	0	(3,994)	(70,861)	70,861	0	0	0
(Increase)/Decrease in 2019/20	(21,145)	(2,550)	(4,590)	0	(3,994)	(32,281)	301,995	269,714	670	270,384
Balance at 31 March 2020 carried forward	(108,081)	(57,690)	(69,168)	251	(78,911)	(313,599)	(1,961,979)	(2,275,578)	698	(2,274,880)
GF and HRA Balance analysed over										
Earmarked reserves	(73,038)	(46,923)								
LMS (Schools) Balance	(13,735)									
Balances not earmarked	(21,308)	(10,767)								
Balance at 31 March 2020	(108,081)	(57,690)								

GROUP BALANCE SHEET

The Balance Sheet shows the value of the assets and liabilities held by the Council. The Council's net assets (assets less liabilities) are matched by the reserves it holds. These reserves are shown in two categories – usable and unusable. Usable reserves may be used to provide services subject to statutory limitations and the need to maintain prudent levels of reserves for financial stability. Unusable reserves cannot be used to fund Council services.

	31 March 2020	Restated 31 March 2019
	£'000	£'000
Property, Plant & Equipment	3,877,541	3,670,314
Heritage Assets	1,958	1,417
Intangible Assets	2,830	3,668
Long Term Investments	26,241	25,000
Long-Term Debtors	929	1,363
Long Term Assets	3,909,499	3,701,762
Assets Held for Sale (within one year)	1,636	2,150
Short Term Debtors	149,034	158,553
Short Term Investments	35,288	20,027
Cash and Cash Equivalents	32,783	56,802
Current Assets	218,741	237,532
Short Term Borrowing	(7,074)	(6,533)
Short Term Creditors	(179,825)	(172,368)
Provisions	(29,159)	(72,772)
Grants Receipts in Advance - Revenue	(15,274)	(20,289)
Grants Receipts in Advance - Capital	(25,812)	(20,683)
Current Liabilities	(257,144)	(292,645)
Long Term Creditors	(90,738)	(96,116)
Provisions	(22,154)	(27,296)
Long Term Borrowing	(591,658)	(441,634)
IAS19 Net Pension Liability	(562,180)	(774,813)
Grants Receipts in Advance - Capital	(34,534)	(31,910)
Long Term Liabilities	(1,301,264)	(1,371,769)
Net Assets	2,569,832	2,274,880
Total usable reserves	(295,403)	(313,599)
Total unusable reserves	(2,277,004)	(1,961,979)
Total authority reserves	(2,572,407)	(2,275,578)
HfL Group Limited reserves	2,575	698
Total Reserves	(2,569,832)	(2,274,880)

GROUP CASH FLOW STATEMENT

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

Year Ended 31 March	Notes	2019/20 £'000	2018/19 £'000
Net (surplus) or deficit on the provision of services		21,262	39,250
<u>Adjust net surplus or deficit on the provision of services for non-cash movements</u>			
Depreciation and amortisation	(60,446)	(64,256)	
Impairment and revaluations	46,327	(76,096)	
Impairment loss on investments	(3,759)	0	
(Increase)/Decrease in Creditors	17,980	(3,098)	
Increase/ (Decrease) in Debtors	(3,125)	20,689	
Other adjustments	604	(1,640)	
Non Cash PFI expenditure	0	321	
Increase/(Decrease) in Accrued Investment Income	261	(401)	
Pension Liability	(31,615)	(30,455)	
Contributions (to)/from Provisions	48,755	8,621	
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(14,524)	(3,864)	
Adjustments to net surplus or deficit on the provision of services for non-cash movements		458	(150,179)
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>			
Capital Grants credited to surplus or deficit on the provision of services	25,545	47,285	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	24,047	34,053	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		49,592	81,338
Net Cash Flows from Operating Activities		71,312	(29,591)
Investing Activities	5	89,828	(12,923)
Financing Activities	6	(137,121)	2,075
Net (increase) or decrease in cash and cash equivalents		24,019	(40,439)
Cash and cash equivalents at the beginning of the reporting period		56,802	16,363
Cash and cash equivalents at the end of the reporting period		32,783	56,802

NOTES TO THE GROUP ACCOUNTS

1. Group Accounting Policies

The group accounts have been prepared on the basis of the same accounting policies set out in Lambeth's single entity financial statements. See Note 1 on page 30.

The method of preparation of group accounts involves combining figures from Lambeth's accounts with figures from HFL Group Limited's group accounts and then adjusting to remove the accounting impact of any intragroup transactions between Lambeth and HFL.

2. Group Property Plant & Equipment

Balances as at 31 March 2020	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation	2,254,362	1,320,555	155,200	256,650	7,382	42,088	51,219	4,087,456
Accumulated Depreciation	(67)	(10,585)	(95,234)	(103,898)	0	(131)	0	(209,915)
Carrying Amount	2,254,295	1,301,970	59,966	152,752	7,382	41,957	51,219	3,877,541

Owned	2,215,287	1,257,552	57,220	139,754	7,205	41,957	51,219	3,770,194
PFI	39,008	52,418	2,746	12,998	177	0	0	107,347
Carrying Amount	2,254,295	1,309,970	59,966	152,752	7,382	41,957	51,219	3,877,541

Movements in Carrying Amount	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
At 1 April 2019	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313
Reclassifications	(5,756)	29,702	0	0	0	8,224	(32,170)	0
Additions	36,322	68,285	14,529	11,507	875	1,144	21,547	154,209
Revaluation gains/(losses) recognised in the revaluation reserve	60,067	16,373	92	0	0	360	0	76,892
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	45,230	(7,467)	(23)	0	0	11,107	0	48,847
Depreciation	(24,510)	(17,308)	(6,118)	(11,205)	0	(203)	0	(59,344)
Impairments recognised in the revaluation reserve	(164)	(4,764)	0	0	0	0	0	(4,928)
Impairments recognised in the surplus / deficit on the provision of services	(301)	(2,146)	0	0	0	(80)	(104)	(2,631)
Disposals and Decommissioning	(3,959)	(221)	0	0	0	(1)	0	(4,181)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(1,636)	0	(1,636)
At 31 March 2020	2,254,295	1,309,970	59,966	152,752	7,382	41,957	51,219	3,877,541

This note differs from the single entity note for Property, Plant & Equipment because HfL Group Limited hold assets on their balance sheet that are categorised above in the following columns:

- Other Land and Buildings
- Vehicles, Plant, Furniture & Equipment; and
- Assets Under Construction.

Balances as at 31 March 2019	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,147,420	1,241,708	140,606	245,143	6,507	23,052	61,946	3,866,382
Accumulated Depreciation	(54)	(14,192)	(89,120)	(92,693)	0	(10)	0	(196,069)
Carrying Amount	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

Owned	2,111,155	1,174,427	49,660	139,143	6,330	23,042	61,946	3,565,703
PFI / Finance Lease	36,211	53,089	1,826	13,307	177	0	0	104,610
Carrying Amount	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

Movements in Carrying Amount	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	2,315,584	1,234,654	38,817	154,755	5,559	21,644	31,784	3,802,797
Reclassifications	(4,294)	4,294	0	0	(1)	1	0	0
Additions	53,345	22,331	18,131	8,542	524	355	29,269	132,496
Revaluations	(183,518)	(8,909)	0	0	425	1,286	0	(190,715)
Depreciation	(27,698)	(19,126)	(5,462)	(10,846)	0	(23)	0	(63,155)
Impairments	(2,189)	(5,728)	0	(1)	0	(221)	0	(8,139)
Disposals and Decommissioning	(3,864)	0	0	0	0	0	0	(3,864)
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	0	893	893
At 31 March 2019	2,147,366	1,227,516	51,486	152,450	6,507	23,042	61,946	3,670,313

The 2018/19 Group PPE figures above are the same as the 2018/19 single entity PPE figures because HFL did not have any property, plant & equipment in 2018/19.

3. Group Capital Commitments

	2019/20 £'000	2018/19 £'000
Finance & Investment	10,696	4,764
Resident Services (GF)	6,467	8,858
Resident Services (HRA)	39,513	17,127
Sustainable Growth & Opportunity	24,116	523
Homes For Lambeth	5,470	0
Total	86,262	31,272

The figures in the note above are based on outstanding purchase order amounts.

Within Finance & Investment the largest capital commitment relates to works at Sudbourne School. Somerlyton Road works are the largest capital commitment within Sustainable Growth & Opportunity. The HRA includes LHS works and expenditure relating to Fire Risk Assessment works.

The above commitments for Homes For Lambeth include capital commitments of £5,470k relating to the Knights Walk development.

4. Group Unusable Reserves

Unusable Reserve	Adjustments between Accounting and Funding Basis 2019/20						Closing Balance 31 Mar 2020 £000
	Opening Balance 1 Apr 2019 £000	Other Comprehensive Income and Expenditure 2019/20 (CIES) £000	Adjustments to Revenue Resources £000	Transfers Between Revenue and Capital Resources £000	Adjustments to Capital Resources £000	Other Movements £000	
Revaluation Reserve	(901,679)	(71,965)	0	0	0	15,334	(958,310)
Financial Instruments Adjustment Account	185	0	3,748	0	0	0	3,933
Pensions Reserve	774,813	(244,248)	31,615	0	0	0	562,180
Collection Fund Adjustment Account	(15,330)	0	7,276	0	0	0	(8,054)
Accumulated Absences Account	4,100	0	0	0	0	0	4,100
Capital Adjustment Account	(1,906,954)	0	92,755	(6,994)	(84,419)	(15,334)	(1,920,946)
Deferred Capital Receipts	(392)	0	0	0	1	0	(391)
Redress Capitalisation Directive Reserve	83,278	0	0	0	(42,794)	0	40,484
Total	(1,961,979)	(316,213)	135,394	(6,994)	(127,212)	0	(2,277,004)

Unusable Reserve	Adjustments between Accounting and Funding Basis 2018/19						Closing Balance
	Opening Balance	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	
	1 Apr 2018 £000	(CIES) £000	£000	£000	£000	£000	31 Mar 2019 £000
Revaluation Reserve	(1,044,268)	122,940	0	0	0	19,650	(901,679)
Financial Instruments Adjustment Account	1,250	0	(1,066)	0	0	0	185
Pensions Reserve	636,165	108,193	30,455	0	0	0	774,813
Collection Fund Adjustment Account	(22,935)	0	7,605	0	0	0	(15,330)
Accumulated Absences Account	4,096	0	4	0	0	0	4,100
Capital Adjustment Account	(1,935,857)	0	164,225	(13,265)	(102,408)	(19,650)	(1,906,954)
Deferred Capital Receipts	(393)	0	0	0	1	0	(392)
Redress Capitalisation Directive Reserve	97,967	0	0	0	(14,689)	0	83,278
Total	(2,263,975)	231,133	201,223	(13,265)	(117,096)	0	(1,961,979)

For explanations of each of the unusable reserves above, please see note 31 Unusable Reserves in the single-entity financial statements.

5. Group Investing Activities

	2019/20 £'000	2018/19 £'000
Purchase of property, plant and equipment, investment property and intangible assets	127,178	131,479
Purchase of short-term and long-term investments	40,000	27,500
Other payments for investing activities	0	(850)
Proceeds from the sale of property, plant and equipment and intangible assets	(24,047)	(34,053)
Proceeds from short-term and long-term investments	(20,000)	(81,500)
Other receipts from investing activities	(33,303)	(55,499)
Net cash flows from investing activities	89,828	(12,923)

6. Group Financing Activities

	2019/20 £'000	2018/19 £'000
Cash receipts of short and long-term borrowing	(150,000)	(40,000)
Council Tax and NNDR adjustments	7,636	30,895
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,243	4,769
Repayments of short- and long-term borrowing	0	6,411
Net cash flows from financing activities	(137,121)	2,075

PENSION FUND ACCOUNT, NET ASSETS AND NOTES

FUND ACCOUNT		2019/20 £'000	2018/19 £'000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(49,271)	(49,687)
Transfers in from other pension funds	8	(3,025)	(2,880)
		(52,296)	(52,567)
Benefits	9	57,125	53,048
Payments to and on account of leavers	10	5,748	5,650
		62,873	58,698
Net (additions)/withdrawals from dealing with members		10,577	6,131
Management expenses	11	2,423	1,753
Net additions/withdrawals including fund management expenses		13,000	7,884
Returns on investments:			
Investment Income	12	(26,806)	(28,266)
Tax on Income	13a	16	5
Profit and loss on disposal of investments and changes in the market value of investments and currency	14a	26,000	(41,677)
Foreign Exchange gain		0	0
Net return on investments		(790)	(69,939)
Net (decrease) / increase in the net assets available for benefits during the year		12,210	(62,054)
Opening net assets of the scheme		(1,439,444)	(1,377,390)
Closing net assets of the scheme		(1,427,234)	(1,439,444)

NET ASSET STATEMENT		2019/20 £'000	2018/19 £'000
Investment Assets	14	1,403,086	1,390,129
Cash Deposits	14	0	0
Total Investment Assets		1,403,086	1,390,129
Current Assets	20	24,161	49,501
Current Liabilities	21	(13)	(186)
Net assets of the fund available to fund benefits at the period end.		1,427,234	1,439,444

The accompanying notes form an integral part of the financial statements.

Note 1: Description of the Fund

The Lambeth Pension Fund ('the fund') is part of the Local Government Pension Scheme and is administered by London Borough of Lambeth Council. The council is the reporting entity for this pension fund.

The following description of the fund is a summary only. For more detail, reference should be made to the Lambeth Pension Fund Annual Report 2019/20 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

1) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

The Local Government Pension Scheme Regulations 2013 (as amended)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Lambeth Council to provide pensions and other benefits for pensionable employees of Lambeth Council and a range of other scheduled and admitted bodies within the borough area. The fund is overseen by the Lambeth Pension Fund Committee, which is a committee of Lambeth Council.

2) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme, or make their own personal arrangements outside the scheme.

Organisations participating in the Lambeth Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 25 employer organisations within Lambeth Pension Fund including the Lambeth council itself, as detailed below.

Lambeth Pension Fund	31 Mar 2020	31 Mar 2019
Number of employers with active members	25	22
Number of employees in scheme:		
Lambeth council	4,488	5,180
Other employers	458	492
Total	4,946	5,672
Number of pensioners:		
Lambeth council	8,164	6,136
Other employers	246	76
Total	8,410	6,212
Deferred pensioners:		
Lambeth council	7,606	8,043
Other employers	80	244
Total	7,686	8,287
Total number of members in pension scheme	21,042	20,171

3) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2020. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. However, employer contributions paid in 2019-20 were those determined by the 2016 triennial valuation. Currently, employer contribution rates range from 17% to 42% of pensionable pay.

4) Benefits

For each year of LGPS membership built up between 1 April 2008 and 31 March 2014 you receive a pension based on 1/60th of your final pay summarised below.

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
Lump sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sums. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Price Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Lambeth Pension Fund scheme handbook available from Town Hall or website link <https://www.lgpslambeth.org/media/4851/full-scheme-guide-2019.pdf>

Note 2: Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2019/20 financial year and its position as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2019/20.

The Pension Fund Accounts have been prepared on a going concern basis.

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the payroll period to which they relate.

- Employer contributions are based on the percentage rate recommended by the fund actuary.
- Employee contributions are based on the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset.

b) Transfers to and from other schemes

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. See notes 8 and 10.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (see Note 8).

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

i) Interest income

Interest income is recognised in the fund account as it accrues, using normal accruals accounting. Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

Changes in the net market value of investments (including property funds) are recognised as income and comprise of realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its total pension fund management expenses in note 11. This is in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Costs (2016)*.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Oversight and governance costs

All oversight and governance expenses, including staffing, are accounted for on an accruals basis and charged direct to the fund. Associated management, accommodation, and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2019/20, £0.1m of fees is based on such estimates (2018/19: £0.1m).

The cost of the Investment management team is charged to the fund, and a proportion of the council's costs representing management time spent by officers on investment management is also charged to the fund.

Net asset statement

g) Financial assets

Only the investments are at fair value, debtors and cash are at amortised cost. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined as follows:

i) Market-quoted investments

The value of an investment for which there is a readily available market price is determined by the bid market price ruling on the final day of the accounting period.

ii) Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

iii) Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting or, where subject to liquidation, the amount the council expects to receive on wind-up, less estimated realisation costs.

Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

The unquoted securities typically include private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in private equity funds and unquoted listed partnerships are valued based on comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).

iv) Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income that is reinvested in the fund, net of applicable withholding tax.

h) Foreign currency transactions

Dividends, interest, and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

j) Cash and cash equivalents

Cash comprises cash in hand and demand deposits and includes amounts held by the fund's external managers. Cash equivalents are short-term, liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the amount of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

m) Additional voluntary contributions

Lambeth Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The fund has appointed Prudential, Equitable Life, and Clerical Medical as its AVC providers.

AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. AVC contributors receive an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1) (b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in notes 25 and 24 respectively.

Note 4: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Common judgements used include comparing revenue or earnings multiples to public comparable entities and prices of recent transactions. Also valuations are adjusted to account for company-specific issues, the lack of liquidity inherent in a non-public investment and the fact that comparable public companies are not identical to the companies being valued.

Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2020 was £67.4m (31 March 2019: £61.0m).

Pension fund liability

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

These actuarial revaluations are used to set future contribution rates and underpin the fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the financial statements at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £166m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £175m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £56.6m to £94.3m.
Private equity (Note 14)	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2020 is £67.4m.	The total (called) private equity investment in the financial statements is £67.4m. There is a risk that this investment may be under- or overstated in the accounts by up to £25m. Private Equity is illiquid for holding until its maturity of 12 years.
Pooled property funds (Note 15)	The Pension Fund contains investments in unitised pooled property funds that are classified within the financial statements as level 3 investments (as detailed in note 15). Due to the outbreak of Covid-19 that has impacted global markets, our fund managers have advised that valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book, meaning that less weight can be applied to previous market evidence to inform opinions of value. As a result of this, the final realised value of those pooled units may differ slightly from the valuations presented in the accounts.	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by up to 14.2% i.e. an increase or decrease of £24.5m, on carrying values of £172m.
Hedge fund of funds (Note 14)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £0.1m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £0.03m.

Note 6: Events after the Reporting Date

There have been no events since 31 March 2020, up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 7: Contributions Receivable

Category	2019/20 £000	2018/19 £000
Members	9,544	8,883
Employer:		
Normal contribution	27,727	25,804
Deficit recovery contribution	12,000	15,000
Total employer's contribution	39,727	40,804
Total	49,271	49,687

Type of employer	2019/20 £000	2018/19 £000
Administering authority	45,677	46,769
Scheduled bodies	2,823	2,148
Admitted bodies	645	134
Community admission body	77	105
Transferee admission body	48	531
Total	49,271	49,687

Note 8: Transfers in from Other Pension Funds

	2019/20 £000	2018/19 £000
Individual transfer	3,025	2,880
Total	3,025	2,880

Note 9: Benefits Payable

Category	2019/20 £000	2018/19 £000
Pensions	48,254	45,595
Commutation and lump sum retirement benefits	7,946	6,453
Lump sum death benefits	925	1,001
Total	57,125	53,048

Authority	2019/20 £000	2018/19 £000
Administering authority	56,588	52,805
Scheduled bodies	309	181
Admitted bodies	176	21
Community admission body	52	41
Total	57,125	53,048

Note 10: Payments to and on Account of Leavers

	2019/20 £000	2018/19 £000
Refund to members leaving service	347	168
Individual transfers	5,401	5,482
Total	5,748	5,650

Note 11: Management Expenses

	2019/20 £000	2018/19 £000
Administrative costs	1,422	1,225
Investment management expenses	1,002	528
Total	2,423	1,753

In 2019/20 the Pension Fund paid £1.3m for the provision of staff. This disclosure is as per CIPFA guidance. Full details of the key management personnel are included within the Annual Report.

Note 11a: Investment Management Expenses

	2019/20 £000	2018/19 £000
Management fees	999	514
Custody fees	3	14
Total	1,002	528

This analysis of the costs of managing the Lambeth Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The total management expenses incurred (deducted in the daily pricing of the individual portfolios) for the year were £7.8m (2018-19 £6.9m) of which only £0.414m was actually invoiced.

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. This is reflected in the cost of investment acquisitions and in the proceeds from the sales of investments (Note 14a).

Note 12: Investment Income

	2019/20 £000	2018/19 £000
Fixed interest securities	7,057	8,254
Equity dividends	0	2,442
Private equity income	6,399	7,325
Pooled property investments	5,318	4,361
Pooled investments - unit trust and other managed funds	7,137	5,018
MAC Fund	175	0
Private Debt	684	0
Interest on cash deposits	1	5
Other	36	861
Total	26,806	28,266

Note 13a: Taxes on Income

	2019/20 £000	2018/19 £000
Tax – equities	16	5
Total	16	5

Note 13b: External Audit Costs

	2019/20 £000	2018/19 £000
Payable in respect of external audit	19	16
Total	19	16

Note 14: Investments

	2019/20 £000	2018/19 £000
Fixed interest securities	220,332	294,511
Pooled investments	735,168	809,251
Pooled property investments	172,433	145,273
Private equity	67,464	61,023
London CIV	150	150
Multi Asset Credit	183,060	76,119
Private Debt	24,446	3,802
Cash Instruments	32	0
Total	1,403,086	1,390,129

Note 14a: Reconciliation of Movements in Investments

	Market value 1 April 2019	Purchases during the year	Transfers – IN	Sales during the year	Transfers – OUT	Movement in cash during the year	Change in market value	Market value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed interest securities	294,476	190,259	0	(258,203)	0	0	(6,202)	220,332
Pooled investments	809,251	411,843	0	(468,634)	0	0	(17,293)	735,168
Pooled property investments	145,273	26,532	0	0	0	0	628	172,433
Private equity	61,023	34	0	0	0	0	6,407	67,464
Multi Asset Credit	76,119	117,656	0	0	0	0	(10,715)	183,060
Private Debt	3,802	19,470	0	0	0	0	1,175	24,446
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	0	0	50	0	0	(17)	0	33
Investment Manager Cash balance	34	0	0	0	(34)	0	0	0
Total	1,390,129	765,794	50	(726,837)	(34)	(17)	(26,000)	1,403,086

	Market value 1 April 2018	Purchases during the year	Transfers – IN	Sales during the year	Transfers – OUT	Movement in cash during the year	Change in market value	Market value 31 March 2019
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed interest securities	361,714	11,255	0	(78,006)	0	0	(486)	294,476
Equities	76,525	1,978	(600)	(77,321)	0	0	(582)	0
Pooled investments	732,983	82,803	0	(45,579)	0	0	39,045	809,251
Pooled property investments	131,456	15,468	0	0	0	0	(1,651)	145,273
Private equity	52,936	3,860	0	0	0	0	4,227	61,023
Multi Asset Credit	0	75,000	0	0	0	0	1,119	76,119
Private Debt	0	3,802	0	0	0	0	0	3,802
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	0	20		(2,198)	0	2,179	0	0
Investment Manager Cash balance	35	0	0	0	0	11	(12)	34
Total	1,355,799	194,185	(600)	(203,105)	0	2,190	41,677	1,390,129

Note 14b: Analysis of Investments

	31 March 2020 £000	31 March 2019 £000
Bonds		
UK		
Corporate quoted	220,332	294,511
Pooled funds - additional analysis		
Overseas		
Unit trusts quoted	734,513	806,254
Hedge fund of funds unquoted	655	2,997
Pooled property investments UK unquoted	42,100	15,468
Pooled property investments Overseas unquoted	130,333	129,806
Private equity unquoted	67,464	61,023
Multi Asset Credit Overseas quoted	183,060	76,119
Private Debt Overseas quoted	24,446	3,802
London CIV	150	150
Cash Instrument	33	0
Total investment assets	1,403,086	1,390,129

Note 14c: Investments Analysed by Fund Manager

	Market value 31 March 2020		Market value 31 March 2019	
	£000	%	£000	%
Adam Street	67,464	4.8	61,023	4.4
Aviva	79,520	5.7	78,580	5.7
Invesco	172,153	12.3	144,992	10.4
Insight	220,363	15.7	294,511	21.2
London CIV	150	0	150	0.0
London CIV - BG Global Equity	259,990	18.5	263,348	18.9
London CIV - JP Morgan	124,802	8.9	150,041	10.8
London CIV - PyrFord	0	0	56,219	4.0
London CIV - Ruffer	0	0	60,586	4.4
London CIV - MAC	183,060	13.1	76,119	5.5
Insight MMF	60,000	4.3	0	0
MFS	0	0	197,480	14.2
London CIV - RBC	210,200	15.0	0	0
PAAMCO	655	0	2,997	0.2
RREEF	283	0	281	0.0
Churchill Asset Management	17,139	1.2	3,802	0.3
Permira	7,307	0.5	0	0
Total	1,403,086	100	1,390,129	100

The following investments represent over 5% of the net assets of the fund.

	Market value 31 March 2020		Market value 31 March 2019	
	£000	% of total fund	£000	% of total fund
Aviva	79,520	5.7	78,580	5.7
Invesco	172,153	12.3	144,992	10.4
Insight	220,363	15.7	294,511	21.2
London CIV - BG Global Equity	259,990	18.5	263,348	18.9
London CIV - JP Morgan	124,802	8.9	150,041	10.8
London CIV - MAC	183,060	13.0	76,119	5.5
London CIV - RBC	210,200	15.0	0	0

Note 15: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to the expected cash flows, by any difference between audited and unaudited accounts.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines</i> (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2020.

	Valuation range (+/-)	Value at 31 Mar 20	Value on increase £000	Value on decrease £000
Pooled investments – Hedge funds	7.7%	655	706	605
Private equity	36.5%	67,464	92,089	42,840
Pooled property investments	14.2%	172,435	196,921	147,949
Total		240,554	289,716	191,394

NOTE 15a: Fair Value Hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and quoted unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value based on observable data.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2020	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	1,162,532		240,554	1,403,086
Net investment assets	1,162,532		240,554	1,403,086

Values at 31 March 2019	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	1,180,835	145,273	64,021	1,390,129
Net investment assets	1,180,835	145,273	64,021	1,390,129

Note 15b: Reconciliation of Fair Value Measurements within Level 3

Period 2019/20	Market value 01 Apr 2019	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market Value 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Hedge Fund of Funds	2,997				(390)	(1,952)		655
Private equity	61,023			34		6,407		67,464
Pooled property investments	145,272					27,163		172,435
	209,292	0	0	34	(390)	31,618	0	240,554

Note 16: Financial Instruments

Note 16a: Classification of Financial Instruments

	2019/20			2018/19		
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Fixed interest Securities	220,332			294,511		
Pooled investments	735,168			809,251		
Pooled property investments	172,433			145,273		
Private equity	67,464			61,023		
Multi Asset Credit	183,060			76,119		
Private Debt	24,446			3,802		
London CIV	150			150		
Cash instruments	33					
Debtors		571			3,858	
Cash and Cash Equivalents		23,590			45,641	
Creditors			(13)			(186)
Total	1,403,086	24,161	(13)	1,390,129	49,499	(186)

Note 16b: Net Gains and Losses on Financial Instruments

	31-Mar-20 £000	31-Mar-19 £000
Financial Assets		
Fair Value through profit and loss	(26,000)	41,689
measured at amortised cost	0	(12)
Financial Liabilities		
measured at amortised cost	0	0
Total	(26,000)	41,677

Note 17: Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest risk) to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

a) Market risk

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

The objective of the fund's risk management strategy is to identify, manage, and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund manages these risks in two ways:

1. The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Equity futures contracts and exchange traded option contracts on individual securities may also be used to manage market risk on equity investments. It is possible for over-the-counter equity derivative contracts to be used in exceptional circumstances to manage specific aspects of market risk.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movement
	%
Bonds- LDI	14.0%
Emerging Markets	30.5%
Sustainable Equity	22.9%
DGF	11.9%
Private Debt	9.2%
Global Equities	22.9%
Pooled property investments	14.2%
Other pooled investments	22.9%
Private Equity	36.5%
Multi Asset Credit	8.5%
Hedge Funds	7.7%
Money Market Fund	0.00%
Cash - GBP	0.00%

Had the market price of the fund investments increased/decreased the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below).

Asset type	Value as at 31 Mar 2020	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Global Equities	470,190	107,674	577,864	362,517
Emerging Markets	124,802	38,065	162,867	86,738
Diversified Growth	79,520	9,463	88,982	70,057
Hedge Funds	655	50	706	605
Private Equity	67,464	24,624	92,089	42,840
Multi Asset Credit	183,060	15,560	198,621	167,500
Private Debt	24,446	2,249	26,695	22,197
Bonds- LDI	220,362	30,851	251,213	189,511
Property	172,435	24,486	196,921	147,949
London CIV	150	0	150	150
Money Market Fund	60,000	0	60,000	60,000
Total	1,403,086	253,022	1,656,108	1,150,064

Asset type	Value as at 31 Mar 2019	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Global Equities	460,828	88,479	549,307	372,349
Emerging Markets	150,041	39,311	189,352	110,730
Diversified Growth	195,385	18,952	214,337	176,432
Hedge Funds	2,997	204	3,201	2,793
Private Equity	61,023	14,218	75,242	46,805
Multi Asset Credit	79,921	6,554	86,474	73,367
Corporate Bonds	240,501	15,392	255,894	225,109
Bonds- LDI	54,009	10,208	64,217	43,801
Property	145,273	20,193	165,466	125,080
London CIV	150		150	150
Total	1,390,129	213,511	1,603,640	1,176,619

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

The council recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 100 basis points movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy. The fund's investment advisor has advised that long-term average rates are expected to move less than 100 basis points from one year to the next.

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

Asset exposed to interest rate risk	Value as at 31 Mar 20	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	23,590		23,590	23,590
Fixed interest securities	220,331	2,203	222,535	218,128
Total	243,921	2,203	246,125	241,718

Asset exposed to interest rate risk	Value as at 31 Mar 19	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	45,662	0	45,662	45,662
Fixed interest securities	294,511	2,945	297,456	291,566
Total	340,173	2,945	343,118	337,227

Income exposed to interest rate risk	Amount Receivable 2019-20	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	1		1	1
Fixed interest securities	7,057	71	7,127	6,986
Total	7,057	71	7,128	6,987

Income exposed to interest rate risk	Amount Receivable 2018-19	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	5	0	5	5
Fixed interest securities	8,254	83	8,337	8,172
Total	8,259	83	8,342	8,177

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not influence the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables – in particular interest rates – remain constant. A 10% strengthening / weakening of the pound against the various currencies in which the fund holds investments would increase / decrease the net assets available to pay benefits as follows:

Assets exposed to currency risk	Value as at 31 Mar 20	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	67,464	6,746	74,211	60,718
Overseas unit trusts	130,153	13,015	143,168	117,137
Total	197,617	19,762	217,379	177,855

Assets exposed to currency risk	Value as at 31 Mar 19	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	61,023	6,102	67,126	54,921
Overseas unit trusts	129,525	12,953	142,477	116,572
Total	190,548	19,055	209,603	171,493

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The fund believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2020 was £23.6m (31 March 2019: £45.7m). This was held with the following institutions.

	Rating	31 March 2020 £000	31 March 2019 £000
Money Market Funds			
Northern Trust - Liquidity Fund	AAA	19	21
Majedie Asset Management (London CIV)		0	2
Bank deposits and current account			
Royal Bank of Scotland	A+	23,590	45,641
Total		23,609	45,664

Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and cash to meet investment commitments. The council has immediate access to its pension fund cash holding.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert in to cash. As at 31 March 2020 the value of liquid assets was £1,358.6m, which represented 95.2% of the total fund assets (31 March 2019: £1,224.0m, which represented 95.7% of the total fund assets).

The Fund's Investment Management team prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the fund investment strategy.

All financial liabilities at 31 March 2020 are due within one year.

Refinancing risk

The key risk is that the fund will be bound to replenish a significant proportion of its pension fund financial instruments at a time of unfavourable interest rates. The fund does not have any financial instruments that have a refinancing risk as part of its investment strategy.

Note 18: Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.
- To ensure that employer contribution rates are as stable as possible.
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.
- To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.
- To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates by spreading any increases in rates over a reasonable period. Solvency is achieved when the funds held, future expected investment returns and future contributions are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than 10% of the 100% funding target, then a deficit recovery plan will be put in place requiring additional contributions from the employer to meet the shortfall.

At the 2019 actuarial valuation, the fund was assessed as 82% funded (80% at the March 2016 valuation). This corresponded to a deficit of £307m (2016 valuation: £287m) at that time.

Contribution increases were phased in over the three-year period from April 2020 to 31 March 2023 for both scheme employers. The common contribution rate (i.e. the rate that all employers in the fund pay) is 19.4% until the next triennial valuation in 2023.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2019 actuarial valuation report and the funding strategy statement on the fund's website.

The valuation of the fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement, or withdrawal from scheme. The principal assumptions were as follows:

Demographic assumptions

The post-retirement mortality tables are the S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.25% pa. Assumed life expectancy from age 65 is as follows.

	31 March 2020	31 Mar 2019
Retiring today		
Males	21.3	21.6
Females	23.5	23.9
Retiring in 20 years		
Males	22.7	23.8
Females	25.0	26.0

Commutation assumption

It is assumed that future retirees will take 25% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 63% of the maximum for post-April 2008 service.

Note 19: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried

out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see Note 18). The actuary has also used valued ill health and death benefits in line with IAS 19.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2020 was £1,885m (31 March 2019: £2,174m). The net assets available to pay benefits as at 31 March 2020 was £1,382m (31 March 2019: £1,406m). The implied fund deficit as at 31 March 2020 was therefore £504m (31 March 2019 £768m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2019 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used	2019/20 %	2018/19 %
Inflation/pension increase rate	1.9	2.5
Salary increase rate	2.4	2.9
Discount rate	2.3	2.4

Note 20: Current Assets

	31 March 2020 £000	31 March 2019 £000
Sundry debtors	571	3,858
Cash balances	23,590	45,643
Total	24,161	49,501

Note 21: Current Liabilities

	31 March 2020 £000	31 March 2019 £000
Outstanding settlement	0	0
Sundry creditors	13	186
Total	13	186

Note 22: Additional Voluntary Contributions

	31 March 2020 £000	31 March 2019 £000
Prudential	2,627	2,315
Equitable Life	490	419
Clerical Medical	172	171
Total	3,289	2,905

Note 23: Related Party Transactions

Lambeth Council administers the Lambeth Pension Fund. Consequently, there is a strong relationship between the council and the pension fund.

During the reporting period, the Council incurred costs of £1.27m (2018/19: £1.06m) in relation to the administration of the fund and these costs were reimbursed by the Fund. The council is also the single largest employer of members of the pension fund and contributed £36.0m to the fund in 2019/20 (2018/19: £38.0m). The amount payable to the council as at 31 March 2020 is shown as a current liability.

Governance

There are no elected members of the Pension Committee in receipt of pension benefits from the Lambeth Pension Fund but one pensioner representative is in receipt of pension benefits from the Lambeth Pension Fund. In addition, pension committee staff representatives S SivaAnanthan is an active member of the pension fund. Also one pension board staff representative G Williamson is an active member of the pension fund.

Members of the Pension Committee are required to declare their interest at each meeting.

Note 24: Contingent Liabilities and Contractual Commitments

The total commitments as at 31 March 2020 are £222.9m and the outstanding capital commitments (investments) are £63.7m (31 March 2019: total commitment £171.6m and outstanding was £65.1m).

These commitments relate to outstanding call payments due on Private Equity, Pooled Property & Private Debt parts of the portfolio. The amounts 'called' by this fund are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Note 25: Contingent Assets

Admitted body employers in the Lambeth Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

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 accruals concept means that transactions within the Comprehensive Income & Expenditure Statement are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2019 is expected to arrive in April 2020, it will be accounted for in the 2019/20 accounts (the financial year it relates to), not the 2020/21 accounts (the financial year it arrives in.)

Balance sheet

This statement is fundamental to the understanding of an authority's financial position at year end. It shows:

- the balances and reserves at an authority's disposal
- long-term indebtedness (which is over one year)
- the long-term and net current assets employed in its operations
- summarised information on the long-term assets (items that are held for more than one year) by category

Capital expenditure

Expenditure on the purchase, construction or improvement of significant assets including land, buildings, equipment, or even investments which will be of use or benefit in providing services for more than one financial year. Expenditure can only be treated as "Capital" if it meets the statutory definitions and is in accordance with "Proper Accounting Practices".

Collection Fund

A statutory fund used to record the billing and collection of council tax and non-domestic rates. Though it is independent of the General Fund, payments are made from it to support the General Fund services of the billing and precepting authorities (in our case, the London Borough of Lambeth and the Greater London Authority respectively) and to the national business rate pool.

Comprehensive Income and Expenditure Statement

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. The most obvious difference from the Income and Expenditure Statement (which, under IFRS, it replaces) is that it now includes the Statement of Total Recognised Gains and Losses (STRGL).

Condition

With reference to grants, a condition typically means that the grant awarding body may ask for it back if it is not used for a stated purpose. This is not the same as a specific grant, which is given for a specific purpose but which may legally be spent on something else if the recipient sees fit.

Grants may either be "with conditions" or "without conditions" – the nearest equivalent terms previously used were "ring fenced" and "non-ring fenced."

Contingent assets and liabilities

A contingency is a condition which exists at the balance sheet date, the outcome of which depends on one or more uncertain future events and which cannot, therefore, be reliably or accurately estimated. Contingencies in the Council's favour are called contingent assets; contingencies which, if realised, would incur a cost to the Council are called contingent liabilities.

Depreciation

The measure of wearing out, consuming, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence. It means that, rather than the whole cost of an asset being charged to revenue in the year in which it is acquired, the cost is spread out over the life of the asset.

Fair Value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

General Fund (GF)

The account that summarises the revenue cost of providing services that are met by the Council's demand on the collection fund, specific government grants and other income

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 are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income to do with the provision of council housing for rent. The HRA is a ring-fenced account outside the General Fund. Local authorities are not allowed to make up a deficit on the HRA from its own resources.

Matching

The matching concept says 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

Financial statements often cannot be precisely accurate but that 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. The concept of materiality determines the acceptability of the degree of this tolerance.

Movement in Reserves statement (MIRs)

This replaces the **Statement of Movement on the General Fund Balance (SMGFB)**, reconciling the Comprehensive Income and Expenditure Statement for the year with the authority's budget requirement, which is governed by statute and differs in certain key respects from accounting conventions.

Provisions

Amounts set aside for any liability or loss that is likely to be incurred, but where the exact amount and date is uncertain.

Prudence

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

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Council Owned assets.

Reserves

Funds set aside to meet future expenditure which falls outside the definition of provisions. Reserves can be for general contingencies and to provide working balances, or earmarked for specific future expenditure.

Note that certain reserves are statutory in nature – for example, the Council is obliged to hold a revaluation reserve and its use is closely prescribed under the IFRS as interpreted for use in local government. The Council has no discretion in the existence or use of these reserves.

Statement of Movement on the HRA Balance

Similar to the General Fund's **Movement in Reserves statement**, this 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.

Statutory provision for the financing of capital investment

Formerly known as the **Minimum Revenue Provision (MRP)**, this is the minimum amount that must be charged to a local authority's revenue account each year and set aside to provide for debt repayment or other credit liabilities.

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.