



# Draft Statement of Accounts Lambeth Council

2022/23

## CONTENTS

<b>SECTION – 1</b>	<b>NARRATIVE REPORT BY CHIEF FINANCIAL OFFICER</b>	<b>Page</b>	<b>003</b>
<b>SECTION – 2</b>	<b>STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS</b>	<b>Page</b>	<b>014</b>
<b>SECTION – 3</b>	<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>Page</b>	<b>017</b>
	• <i>Independent Auditor's Report to London Borough of Lambeth</i>	<i>Page</i>	<i>019</i>
	• <i>Independent Auditor's Report to London Borough of Lambeth Pension Fund</i>	<i>Page</i>	<i>022</i>
<b>SECTION – 4</b>	<b>SINGLE ENTITY FINANCIAL STATEMENTS</b>	<b>Page</b>	<b>024</b>
	• <i>Comprehensive Income and Expenditure Statement</i>	<i>Page</i>	<i>026</i>
	• <i>Movement in Reserves Statement</i>	<i>Page</i>	<i>027</i>
	• <i>Balance Sheet</i>	<i>Page</i>	<i>028</i>
	• <i>Cash Flow Statement</i>	<i>Page</i>	<i>029</i>
	• <i>Notes to the Accounts (General)</i>	<i>Page</i>	<i>031</i>
<b>SECTION – 5</b>	<b>SUPPLEMENTARY FINANCIAL STATEMENTS</b>	<b>Page</b>	<b>103</b>
	• <i>Housing Revenue Account (HRA) - Income and Expenditure Statement</i>	<i>Page</i>	<i>104</i>
	• <i>Statement on The Movement on The Housing Revenue Account</i>	<i>Page</i>	<i>105</i>
	• <i>Housing Revenue Account Notes</i>	<i>Page</i>	<i>106</i>
	• <i>Collection Fund Statement</i>	<i>Page</i>	<i>111</i>
	• <i>Notes to the Collection Fund</i>	<i>Page</i>	<i>113</i>
<b>SECTION – 6</b>	<b>GROUP ACCOUNTS AND EXPLANATORY NOTES</b>	<b>Page</b>	<b>115</b>
<b>SECTION – 7</b>	<b>PENSION FUND ACCOUNTS AND NOTES</b>	<b>Page</b>	<b>128</b>
<b>SECTION – 8</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>	<b>Page</b>	<b>164</b>
<b>SECTION – 9</b>	<b>GLOSSARY OF FINANCIAL TERMS</b>	<b>Page</b>	<b>184</b>





**Christina Thompson**

Acting Strategic Director of  
Finance and Investment and  
Section 151 Officer

I am pleased to present the council's 2022/23 statement of accounts. This foreword provides a guide to the most significant matters reported in the council's accounts. Lambeth's financial statements for 2022/23 have been prepared in accordance with the standard format for local authority accounts as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) as prescribed by the Code of Practice on Local Authority Accounting in the United Kingdom, which is in turn based on the International Financial Reporting Standards.

The foreword provides:

- Financial context
- The Borough Plan and our 2030 goals
- Medium Term Financial Strategy (MTFS)
- Financial Performance – 2022/23
- Explanation of the key financial statements



## FINANCIAL CONTEXT

A lack of stability and certainty has been a major issue for local government finance in the recent past. We now know that funding reforms or changes in funding distribution will not be implemented until 2025-26 at the earliest. This means further delay in funding certainty for local government. This is on top of the major cut in government funding, over a decade, which continues to impact council finances and the service which we provide.

The economic impact of the war in Ukraine, and the resulting increase in inflation together with the challenges post pandemic has dragged the UK into a prolonged (but mild) recession. There is a risk that inflation is more persistent than expected. Inflation predictions by the Bank of England have been below those we have actually experienced. As a result, Government funding for local government has fallen in real terms.

The resulting cost-of-living crises has exacerbated the current situation and has had a major impact in the finances of not just the council but residents and businesses across the Borough, the capital and the whole of the country.

Difficult decisions have been made by residents and business in the Borough. Our most vulnerable communities are hit the most especially due to rising cost of essential needs. During what is a difficult time for our borough and our country, we have mobilised our staff and partners to continue to provide critical services for our community. Our approach has been strongly rooted in the ambitions and themes of Lambeth's Borough Plan. We have responded at pace to protect those who have needed it.

We have provided support to children during school holidays, helped families with household bills, promoted warmth places, and reduced council tax bills for those on council tax support schemes. We also recognise that we need to continue the support in 2023-24 which is why Lambeth Council's cost of living crisis response plan will direct an extra £10 million to vital support for those hit hardest by the cost of living crisis.

## BOROUGH PLAN – LAMBETH 2030 - OUR FUTURE , OUR LAMBETH

Lambeth is a global destination, with strong institutions that help shape a unique cultural offer – from Waterloo and South Bank, to the vibrance of Brixton and local highstreets of Streatham and West Norwood, Lambeth has something for everyone. We are a place of sanctuary, and for hundreds of years, we have welcomed new communities who have left a lasting imprint on our borough.

We know it is this exceptional history and the contribution and kindness of the people of Lambeth that makes it so special. It is weaved throughout every neighbourhood and community and is why so many of us continue to visit, work in the borough, and have made Lambeth the place they call home. Recognising and reflecting this impact is important to us as we look to the future of Lambeth. We know that to be the best borough we can possibly be, we need to harness and nourish our assets, resources, and community energy, so that everyone in Lambeth can belong, can thrive, and so that nobody is left behind.

Doing this will not be easy and cannot be done alone. Despite all our strengths and our passion, we know a longer-term, nuanced and joined-up approach is needed to continue to tackle the economic, social and environmental challenges facing our residents, our businesses, our partners. We will continue to be ambitious – and have the courage and willingness to do things differently, in partnership, to deliver for our residents.

To address the challenges that lie ahead, we’ve developed our collective roadmap to 2030 – “Our Future, Our Lambeth” – a Borough Plan that unites us all.

To design this Borough Plan, we invited everyone who lives, visits, and works in Lambeth to have their say. Founded on what we were told matters to you, this Borough Plan builds on the strengths that exist in the borough and in our communities, affirms our collective vision and ambitions and outlines how we will take forward our shared priorities, with a longer-term look to 2030 so that we can deliver sustainable change.

With bold political and civic leadership and strengthened partnerships with key institutions and local organisations, now is the time to future-proof Lambeth and work more closely and effectively together to deliver better outcomes for the people of Lambeth. This Borough Plan will not have all the answers to the challenges we face but it is our commitment to everyone in Lambeth that we will strive to get the basics right, and that we will harness the abundance of local expertise, energy and passion in our design and decision-making so that everybody in the borough is empowered to create Lambeth 2030.

### Our Lambeth 2030 Goals

#### A Borough of Equity and Justice

- By 2030, Lambeth will have lower levels of deprivation, with fewer children growing up in poverty.
- By 2030, Lambeth will tackle the structural inequalities adversely impacting Black, Asian and Multi-Ethnic residents by being a borough of anti-racism.
- By 2030, Lambeth will be a borough of progress, working with LGBTQ+ communities and disabled residents to tackle the biggest challenges they face.

#### Making Lambeth Neighbourhoods Fit for the Future

- By 2030, Lambeth will be a Net Zero Borough.
- By 2030, Lambeth residents will experience good health and wellbeing, with an improved healthy life expectancy for those with the poorest outcomes.
- By 2030, Lambeth will be a sustainable and healthy borough, with more accessible and active travel options for everyone.

#### Making Lambeth One of the Safest Boroughs in London

- By 2030, Lambeth will be a safer borough for everyone, with a significant reduction in serious violence against young people
- By 2030, Lambeth will be safer for women and girls, and all residents experiencing gender-based violence will be able to access support.
- By 2030, Lambeth will be a borough of prevention, tackling the root causes of violence to protect our communities.



**Making Lambeth A Place We Can All Call Home**

- By 2030, Lambeth will be a borough of opportunity, with local people benefitting from jobs in our future growth industries.
- By 2030, Lambeth will increase the supply of genuinely affordable housing and the quality of existing homes for residents who need them.
- By 2030, Lambeth will be a borough of sanctuary and an Age and Child Friendly borough.

**MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2023/24 TO 2026/27**

The Medium Term Financial Strategy was agreed in March 2023 as part of the council's budget and council tax setting report. This sought to provide the financial framework for the four years from 2023/24 to 2026/27.

The main objectives of our MTFS are:

- Prioritise our resources in line with the Council's Borough Plan and priorities.
- 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 taxpayers and protecting preventative services
- Exercise probity, prudence, and strong financial control.
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level as agreed by our S151 Officer.
- Continually review budgets to ensure resources are targeted on our key priorities.

These objectives are at the core of our current MTFS, and we will ensure that these objectives are upheld throughout the duration of the MTFS and beyond. Value for money and risk management are at the heart of the strategy. In respect of value for money to our taxpayers, Cabinet Members have sought to identify efficiencies and savings that do not adversely impact on service delivery where possible and have identified options to enhance value for money through improving performance and/or reducing internal costs.

Whilst the most recent Settlement saw an increase in funding for 2023/24 and together with the latest government announcements, we have more insight into 2024/25 than previously but the uncertainty continues. The MTFS will continue to be updated as we gain greater certainty and clarify on the level of funding. The delivery of agreed savings is an area of significant risk, and detailed plans are required to ensure that the risk is mitigated, and the saving is actually delivered and on time. The Council considers key corporate risks via the risk register, which is monitored at Management Board in addition to Corporate Committee (the Council's audit committee).

**SUMMARY OF FINANCIAL PERFORMANCE IN THE YEAR**

Overall the council has balanced its budget due to underspends in Corporate Items, the council's services have reported some major variances resulting in a net overspend £25.661m, broken down into the following areas:

- £20.023m – Children's Services, £17m Social Care and £3.3m for Education (GF)
- £6.743m – Housing Services (GF), £5.4m Temporary Accommodation
- £0.524m – Finance, Investment and Legal Services
- (£0.010m) – Sustainable Growth & Opportunity
- (0.016m) – NRPF (No Recourse to Public Funds)
- (£0.45m) – Adults & Health
- (£0.209m) – Chief Executive
- (£1.348m) – Resident Services

## Financial Performance by Directorate

Directorate		Annual Budget £'000	Outturn £'000	Outturn Variance £'000
Children's Services	Income	(17,074)	(16,039)	1,035
	Expenditure	101,031	120,019	18,988
	<b>Net</b>	<b>83,957</b>	<b>103,980</b>	<b>20,023</b>
Housing Services	Income	(39,541)	(36,503)	3,038
	Expenditure	65,611	69,315	3,704
	<b>Net</b>	<b>26,070</b>	<b>32,812</b>	<b>6,742</b>
Adults and Health	Income	(72,328)	(108,037)	(35,709)
	Expenditure	176,115	211,778	35,663
	<b>Net</b>	<b>103,787</b>	<b>103,741</b>	<b>(46)</b>
Finance and Investment	Income	(7,477)	(10,407)	(2,930)
	Expenditure	30,662	34,117	3,455
	<b>Net</b>	<b>23,185</b>	<b>23,710</b>	<b>525</b>
No Recourse to Public Funds	Income	-	-	-
	Expenditure	2,757	2,741	(16)
	<b>Net</b>	<b>2,757</b>	<b>2,741</b>	<b>(16)</b>
Sustainable Growth and Opportunity	Income	(14,627)	(11,438)	3,189
	Expenditure	22,029	18,830	(3,199)
	<b>Net</b>	<b>7,402</b>	<b>7,392</b>	<b>(10)</b>
Chief Executive	Income	(485)	(153)	332
	Expenditure	7,030	6,489	(541)
	<b>Net</b>	<b>6,545</b>	<b>6,336</b>	<b>(209)</b>
Resident Services	Income	(235,601)	(263,218)	(27,617)
	Expenditure	293,902	320,171	26,269
	<b>Net</b>	<b>58,301</b>	<b>56,953</b>	<b>(1,348)</b>
Total	Income	(387,133)	(445,796)	(58,663)
	Expenditure	699,137	783,461	84,324
	<b>Net</b>	<b>312,004</b>	<b>337,665</b>	<b>25,661</b>
Corporate Items	Income	-	(9,429)	(9,429)
	Expenditure	38,206	21,974	(16,232)
	<b>Net</b>	<b>38,206</b>	<b>12,545</b>	<b>(25,661)</b>
<b>Council Outturn</b>	<b>Net</b>	<b>350,210</b>	<b>350,210</b>	-



**Dedicated Schools Grant**

The £2.7m deficit brought forward has been turned into a cumulative surplus of £2.1m carried forward at the end of 2022/23. There were large underspends in SEND and Early Years that contributed to this, pointing to the need to improve links between finance and activity in these areas. There was also a credit balance in the Council's accounts that had long been treated as a school balance but had become too large to treat in that way, so there was a late decision to credit that balance to the DSG, thus, contributing to the cumulative surplus position.

Dedicated Schools Grant (DSG)	21/22 B/F Balances £000's	Budget £000's	Outturn £000's	In-year Variance £000's	22/23 c/f Variance £000's
Schools Block	(85)	147,022	147,016	(6)	(91)
Central School Services Block	-	1,224	1,222	(2)	(2)
Early Years Block	(271)	25,102	24,424	(678)	(949)
High Needs Block	3,196	56,359	52,797	(3,562)	(366)
De-delegated budgets	(97)	-	6	6	(91)
Contribution from LMS balances	-	-	(614)	(614)	(614)
<b>Total Expenditure</b>	<b>2,743</b>	<b>229,707</b>	<b>224,851</b>	<b>(4,856)</b>	<b>(2,113)</b>

**Housing Revenue Account**

Housing Revenue Account (HRA) reported a £9.098 adverse variance. The most significant multi-year theme is the cost of disrepairs, legal costs and compensation. The HRA is required to balance overall. The variance will have to be covered from reserves.

Housing Revenue Account	Budget £'000	Outturn £'000	Variance £'000
Housing Services	68,912	75,838	6,926
Central HRA Budgets & Transfers to Reserves	(83,684)	(110,414)	(26,730)
Strategic Programmes	17,986	26,881	8,895
CIES Below Cost of Services	-	(2,138)	(2,138)
Movement in Reserves	(3,214)	18,924	22,138
<b>Housing Revenue Account (HRA)</b>			
<b>Income</b>	(185,551)	(186,520)	(969)
<b>Expenditure</b>	172,378	178,044	5,666
CIES Below Cost of Services	150	(2,138)	(2,288)
Below the Line - MIRS	13,023	19,711	6,688
<b>Total Expenditure</b>	<b>-</b>	<b>9,098</b>	<b>9,098</b>

## Capital

Capital budget for 2022/23 was £205.155. However, £135.184m has been spent. £69.971m will be carried forward into future years. Update on each capital theme is provided as a separate document to this report.

The council currently has £338.9m of approved schemes to be delivered from 2023/24. The capital investment programme (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 Section 106 and Community Infra-structure Levy (CIL) 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. The current economic conditions have had an effect on the availability of such funding; however it is not yet clear what the longer term implications may be. If there are significant drops of income, there may be a need to adjust the capital programme in the future.

## Financing the Capital Investment Programme

- £26.4m of grant monies (£17.6 m in 2021/22)
- £38.6m (£29.4m in 2021/22) of internal reserves and revenue contributions (including via the Major Repairs Reserve)
- £31.1m of proceeds from the disposal of Council assets (£9.0m in 2021/22)
- £24.0m from internal and external borrowing against cash balances (£65.8m in 2021/22)
- £12.3m from developers' contributions (£7.4m in 2021/22)
- £2.8m from Section 20 receipts (none in 2021/22)
- Total: £135.2m

## Borrowing

The council has long-term borrowing of £752.7m sourced from the Government owned Public Works Loan Board. It also has short-term borrowing of £65m from local authorities.

Directorate	2022/23 Budget £'000	2022/23 Actuals £'000	2022/23 Carry Forward £'000
Adults & Health	3,317	1,100	(2,217)
Resident Services	60,395	45,717	(14,678)
Housing Services (GF)	900	541	(359)
Sustainable Growth & Opportunity	40,563	33,010	(7,554)
Finance & Investment	8,161	7,809	(352)
Childrens Services	1,497	185	(1,312)
Housing Revenue Account (HRA)	90,323	46,823	(43,500)
<b>Total</b>	<b>205,155</b>	<b>135,184</b>	<b>(69,973)</b>

**General and Earmarked 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.

The general fund balance increase is part of a plan to rebuild after using the total to increase the provision for the Lambeth Redress scheme for costs above the current capitalisation order. Much of the decrease in reserves in the previous year is the continuation of using fund set aside for dealing with the medium term effects of the pandemic.

The General Fund reserves have also reduced to cover the overspend within the year and in the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, reserves have decreased to cover in-year overspend.

Reserves	Balance as 31 March 2021 £'000	Balance as 31 March 2022 £'000	Balance as 31 March 2023 £'000
General Fund Balance	(25,870)	-	(848)
GF Earmarked Reserves	(151,068)	(141,463)	(130,112)
<b>General Fund Total</b>	<b>(176,938)</b>	<b>(141,463)</b>	<b>(130,960)</b>
HRA Balances	(10,971)	(17,896)	(8,798)
HRA Earmarked Reserves	(17,944)	(21,688)	(18,051)
<b>HRA Total</b>	<b>(28,915)</b>	<b>(39,584)</b>	<b>(26,849)</b>
<b>Council Total</b>	<b>(205,853)</b>	<b>(181,047)</b>	<b>(157,809)</b>

## Pension Fund Revaluation and Pension Liability

The triennial valuation of the Pension Fund took place in 2022, which outlined the contribution rates required by the council in future to meet its Pension scheme liabilities. The contribution rates came into effect on 01 April 2023 and remain in place for three years until 31 March 2026. The next valuation will be carried out after 31 March 2025.

The overall 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) as well as those of the Pension Fund.

For the Pension Fund and LPFA combined, the scheme assets decreased from £1.889bn to £1.731bn, reflecting the volatile market conditions in the UK and globally.

The overall net pension liability is the net of scheme assets and pension obligations and has decreased from £551m to £76m. Please see the Pension Fund accounts for more details.

## EXPLANATION OF THE KEY FINANCIAL STATEMENTS

The Statement of Accounts presents the council's income and expenditure for the year, and its financial position at 31 March 2023. It shows the core statement as well as notes to the statements. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards.

They can be complex to understand, with entries such as asset depreciation and impairments and pensions accounted for under IFRS and then reversed out to meet regulatory requirements and not having the same prominence as they would in a private sector set of accounts.

**Comprehensive Income and Expenditure Statement (CIES)** - 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.

**Movement in Reserves Statement (MiRS)** - This statement shows the movement in the year on the different reserves held by Lambeth, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'surplus or (deficit) on the provision of services' line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Summary (CIES). These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The 'Net increase/decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

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



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

There are various notes to the financial statements. One particular note that is specific to Local Government is the 'Adjustments between Accounting Basis and Funding Basis under Regulations' as this lists out the reversals from the financial statements to ensure the accounts comply with UK Statutory requirements and this should therefore be considered alongside the primary statements when reviewing the accounts. There are also a few supplementary statements that make up the accounts including:

**The Housing Revenue Account** – Income and Expenditure associated with Council Housing is ringfenced by law.

**Collection Fund** – Council Tax and Business Rates are separately accounted for with the impact of any surpluses and deficit in year impacting the council and other preceptors in future financial years.

**Group Accounts** – The accounts of the HFL group of companies, owned by the council, are amalgamated into the council's financial statements.

**Pension Fund Accounts** – The accounts for the Pension Fund are presented separately.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS



### The Authority's Responsibilities

The Council 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 2023.

---

**Christina Thompson, BA (Hons), FCPFA**

Acting Strategic Director of Finance and Investment  
London Borough of Lambeth

---

Date: TBC

Approval of the Statement of 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 Martin Tiedemann**  
Chair – Corporate Committee

\_\_\_\_\_  
Date: TBC







INDEPENDENT AUDITOR’S REPORT

Independent Auditors's Report	Page Number
• Independent Auditor’s Report to London Borough of Lambeth	19
• Independent Auditor’s Report to London Borough of Lambeth Pension Fund	22



Opinion



Opinion

This page has been intentionally left blank



INDEPENDENT AUDITOR’S REPORT TO LONDON BOROUGH OF LAMBETH PENSION FUND



Opinion

This page has been intentionally left blank



Opinion

This page has been intentionally left blank





## SECTION – 4

### SINGLE ENTITY FINANCIAL STATEMENTS

Core Financial Statements	Page Number
• <i>Comprehensive Income and Expenditure Statement</i>	26
• <i>Movement in Reserves Statement</i>	27
• <i>Balance Sheet</i>	28
• <i>Cash Flow Statement</i>	29
• <i>Notes to the Accounts (General)</i>	31

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

026

The **Comprehensive Income and Expenditure Statement (CIES)** records all of the Council's revenue income and expenditure for the year. Expenditure represents a combination of statutory duties and discretionary spend focussed on local priorities and needs.

2021/22				2022/23			Note
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
217,364	(107,815)	109,549	Adults & Health	212,804	(108,037)	104,767	
14,714	(2,874)	11,840	Chief Executive (1)	6,490	(153)	6,337	
392,850	(298,361)	94,489	Children's Services	418,205	(307,443)	110,762	
101,184	(1,108)	100,076	Corporate Items	40,588	(9,447)	31,141	
47,932	(32,433)	15,499	Finance & Investment (1)	41,027	(17,259)	23,768	
-	-	-	Housing Services (1)	69,318	(36,503)	32,815	
125,761	(182,657)	(56,896)	Housing Revenue Account	167,228	(186,520)	(19,292)	
389,815	(294,856)	94,959	Resident Services	340,481	(263,825)	76,656	
38,286	(27,752)	10,534	Sustainable Growth & Opportunity	31,309	(18,525)	12,784	
<b>1,327,906</b>	<b>(947,856)</b>	<b>380,050</b>	<b>Cost of Services</b>	<b>1,327,450</b>	<b>(947,712)</b>	<b>379,738</b>	
		4,388	Levies			3,364	
		3,337	Payments to the Government Housing Capital Receipts Pool			-	
		(13,263)	(Gains)/losses on the Disposal of Non-Current Assets			13,176	
		103	Other Expenditure			27	
		<b>(5,435)</b>	<b>Other Operating (Income)/Expenditure</b>			<b>16,567</b>	
		34,984	Interest Payable and Similar Charges - other			36,655	13c
		14,749	Net interest on the net pensions' liability			15,152	25a
		(2,115)	Investment Interest income			(3,339)	4
		5,359	Impairments on Receivables (2)			-	13b
		(1,349)	Impairment Losses / (Gains) on Investments			(996)	
		<b>51,628</b>	<b>Financing and investment income and expenditure</b>			<b>47,472</b>	
		<b>(375,056)</b>	<b>Taxation and non-specific grant income and expenditure</b>			<b>(391,839)</b>	9a
		<b>51,187</b>	<b>(Surplus)/deficit on provision of services</b>			<b>51,938</b>	
		(165,756)	Loss / (Gain) on revaluation of non-current assets			(99,200)	
		(206,693)	Remeasurement of the net defined benefit liability			(508,429)	
		<b>(372,449)</b>	<b>Other Comprehensive income and expenditure</b>			<b>(607,629)</b>	
		<b>(321,262)</b>	<b>Total Comprehensive income and expenditure</b>			<b>(555,691)</b>	

Notes relating to changes in 2022/23:

(1) A reorganisation of reporting segments resulted in the following changes: two new Directorates, the Chief Executive Directorate and the Housing Directorate. Legal Services moved to Finance and Investment.

(2) Impairments on receivables is included in the net cost of services. For more detail refer to note 13b

## MOVEMENT IN RESERVES STATEMENT

The **Movement in Reserves** 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.

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2022 brought forward</b>	<b>(160,872)</b>	<b>(39,584)</b>	<b>(53,726)</b>	<b>(5,656)</b>	<b>(59,611)</b>	<b>(319,449)</b>	<b>(2,337,910)</b>	<b>(2,657,359)</b>	
Total Comprehensive Income and Expenditure	69,443	(17,505)	-	-	-	51,938	(607,627)	(555,689)	
Adjustments between accounting basis and funding basis	(57,038)	30,241	11,046	5,656	5,477	(4,618)	4,618	-	28
<b>(Increase) or decrease in 2022/23</b>	<b>12,405</b>	<b>12,736</b>	<b>11,046</b>	<b>5,656</b>	<b>5,477</b>	<b>47,320</b>	<b>(603,009)</b>	<b>(555,689)</b>	
Balance at 31 March 2022	(148,467)	(26,848)	(42,680)	-	(54,134)	(272,129)	(2,940,919)	(3,213,048)	
<i>GF and HRA Balance analysed over</i>									
Earmarked reserves (Note 29)	(130,112)	(18,051)							
LMS (Schools) Balance (Note 28b)	(17,507)								
Balances not earmarked (Note 28a)	(848)	(8,798)							
<b>Balance 1 March 2023</b>	<b>(148,467)</b>	<b>(26,849)</b>							

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Authority Reserves	Note
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance at 31 March 2021 brought forward</b>	<b>(194,425)</b>	<b>(28,916)</b>	<b>(42,566)</b>	-	<b>(63,204)</b>	<b>(329,111)</b>	<b>(2,006,986)</b>	<b>(2,336,097)</b>	
Total Comprehensive Income and Expenditure	99,850	(48,663)		-	-	51,187	(372,449)	(321,262)	
Adjustments between accounting basis and funding basis	(66,297)	37,995	(11,160)	(5,656)	3,593	(41,525)	41,525	-	28
<b>(Increase)/Decrease in 2021/22</b>	<b>33,553</b>	<b>(10,668)</b>	<b>(11,160)</b>	<b>(5,656)</b>	<b>3,593</b>	<b>9,662</b>	<b>(330,924)</b>	<b>(321,262)</b>	
Balance at 31 March 2021	(160,872)	(39,584)	(53,726)	(5,656)	(59,611)	(319,449)	(2,337,910)	(2,657,359)	
<i>GF and HRA Balance analysed over</i>									
Earmarked reserves (Note 28a)	(141,462)	(21,688)							
LMS (Schools) Balance (Note 28b)	(19,410)								
Balances not earmarked (Note 28a)	-	(17,896)							
<b>Balance 1 March 2022</b>	<b>(160,872)</b>	<b>(39,584)</b>							

## 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.

### Certification by the Chief Financial Officer

*I certify that the statement of accounts gives a true and fair view of the financial position of the authority as at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.*

Acting Strategic Director of Finance and Investment  
(Section 151 Officer)

--- 2023

31-March-2022		31-March-2023	Note
£'000		£'000	
4,001,202	Property, Plant and Equipment	4,124,633	12a, 12b
2,517	Heritage Assets	2,549	12g
4,844	Intangible Assets	6,016	12c
35,645	Long-term Investments	36,641	13a
48,203	Long-term Debtors	69,421	13a
<b>4,092,411</b>	<b>Total Long-term Assets</b>	<b>4,239,260</b>	
-	Assets Held for Sale (within one year)	-	12f
43	Inventories	77	
202,511	Short term debtors	203,352	14
20,061	Short Term Investments	30,468	13a
92,337	Cash and Cash Equivalents	20,118	33
<b>314,952</b>	<b>Current Assets</b>	<b>254,015</b>	
(17,090)	Short-term Borrowing	(57,574)	13a
(182,443)	Short-term Creditors	(174,919)	15
(42,409)	Short-term Provisions	(26,150)	22
(70,208)	Grants Receipts in Advance – Revenue	(26,810)	16
(46,461)	Grants Receipts in Advance – Capital	(54,891)	18
<b>(358,611)</b>	<b>Current Liabilities</b>	<b>(340,344)</b>	
(81,189)	Long Term Creditors	(76,099)	13a
(7,814)	Provisions	(6,814)	22
(721,659)	Long Term Borrowing	(752,666)	13a
(550,632)	IAS19 Net Pension Liability	(76,453)	25a
(30,100)	Grants Receipts in Advance - Capital	(27,851)	18
<b>(1,391,394)</b>	<b>Long-term Liabilities</b>	<b>(939,883)</b>	
<b>2,657,358</b>	<b>Net Assets</b>	<b>3,213,048</b>	
(319,449)	Total Usable Reserves	(272,129)	28
(2,337,909)	Total Unusable Reserves	(2,940,919)	29
<b>(2,657,358)</b>	<b>Total Reserves</b>	<b>(3,213,048)</b>	



## CASH FLOW STATEMENT

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the 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.

2021/22		2022/23	
£'000		£'000	Note
51,187	<b>Net (surplus) or deficit on the provision of services</b>	51,938	
(84,508)	<i>Adjust net surplus or deficit on the provision of services for non-cash movements</i>	(56,520)	
44,091	<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>	16,255	
<b>10,770</b>	<b>Net Cash Flows from Operating Activities</b>	<b>11,673</b>	
96,875	Investing Activities	126,831	
(96,624)	Financing Activities	(66,284)	
<b>11,021</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	72,220	
81,317	Cash and cash equivalents at the beginning of the reporting period	92,338	
<b>92,338</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20,118</b>	

# CASH FLOW STATEMENT (detail)

030

2021/22		2022/23	
£'000		£'000	Note
51,187	<b>Net (surplus) or deficit on the provision of services</b>	51,938	
	<i>Adjust net surplus or deficit on the provision of services for non-cash movements</i>		
(57,721)	Depreciation and amortisation	(59,038)	
(15,652)	Impairment and revaluations	(303)	
1,349	Impairment (loss)/gain on investments	996	
9,751	(Increase)/Decrease in Creditors	50,709	
8,242	Increase/(Decrease) in Debtors	1,241	
(10)	Increase/(Decrease) in Inventories	34	
159	Other adjustments	11	
15	Increase/(Decrease) in Accrued Investment Income	-	
(40,460)	Pension Liability	(34,250)	
21,081	Contributions (to)/from Provisions	17,259	
(11,263)	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(33,179)	
<b>(84,509)</b>		<b>(56,520)</b>	
	<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>		
19,695	Capital Grants credited to surplus or deficit on the provision of services	(3,748)	
24,396	Proceeds from the sale of property plant and equipment, investment property and intangible a	20,003	
<b>44,091</b>		<b>16,255</b>	
<b>10,769</b>	<b>Net Cash Flows from Operating Activities</b>	<b>11,673</b>	
96,875	Investing Activities	126,831	
(96,624)	Financing Activities	(66,284)	
<b>11,020</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>72,220</b>	
81,317	Cash and cash equivalents at the beginning of the reporting period	92,337	
<b>92,337</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>20,117</b>	

## Notes to the Accounts (GENERAL)

031

Note Reference	Description	Page Number
Note 1:	Statement of Accounting Policies	033
Note 2a:	Critical Judgments and Assumptions	045
Note 2b:	Post Balance Sheet	048
Note 2c:	Accounting Standards Issued but Not Yet Adopted	048
Note 3a:	The Expenditure and Funding Analysis	049
Note 3b:	Note to the Expenditure and Funding Analysis	050
Note 4:	Expenditure & Income Analysed by Nature	051
Note 5:	Material Items of Income and Expense	052
Note 6:	Members' Allowances	052
Note 7a:	Senior Officers' Remuneration	053
Note 7b:	Remuneration Details – Higher Earners	055
Note 7c:	Exit packages	056
Note 8:	External Audit Costs	056
Note 9a:	Breakdown of Taxation and Non-Specific Grant Income	057
Note 9b:	Capital Grants and contributions	057
Note 9c:	Other Revenue Grant Income	058
Note 10:	Related Parties	060
Note 11:	Better Care Fund (Pooled Budget)	063
Note 12a:	Property, Plant and Equipment	064
Note 12b:	Property, Plant & Equipment valuation dates	067
Note 12c:	Intangible Assets	068
Note 12d:	Capital Expenditure and Capital Financing	069
Note 12e:	Capital Commitments	070
Note 12g:	Heritage Assets	071
Note 13a:	Financial Instruments	072
Note 13b:	Impairment (credit) losses on receivables	073
Note 13c:	Income, Expense, Gains and Losses	073
Note 13d:	Fair Values of Assets and Liabilities	074
Note 13e:	Nature and Extent of Risks Arising from Financial Instruments	075
Note 13f:	Term deposits with banks and financial institutions	076
Note 13g:	Analysis by Maturity	076
Note 14:	Short-Term Debtors by category of counterparty	077
Note 15:	Short-Term Creditors by category of counterparty – which includes Note 16 as a subset	077
Note 16:	Revenue Grants Receipts in Advance	078
Note 17:	Debtors for Local Taxation	078

## Note to the Accounts (GENERAL)

032

Note Reference	Description	Page Number
Note 18:	<i>Capital Grant Receipts in Advance</i>	079
Note 19:	<i>Dedicated Schools Grant (DSG)</i>	080
Note 20a:	<i>Leases – Authority as Lessee</i>	081
Note 20b:	<i>Leases – Authority as Lessor</i>	081
Note 21a:	<i>The value and movement of assets held under PFI and similar contracts.</i>	083
Note 21b:	<i>The value and movement of outstanding liabilities resulting from PFI, finance leases and similar contracts at each Balance Sheet date.</i>	083
Note 21c:	<i>Details of payments due to be made under PFI, finance leases and similar contracts</i>	083
Note 22:	<i>Provisions</i>	085
Note 23:	<i>Contingent Liabilities</i>	086
Note 24:	<i>Pensions Schemes Accounted for as Defined Contribution Schemes</i>	087
Note 25:	<i>Defined Benefit Pension Schemes</i>	087
Note 25a:	<i>Net Defined Benefit Pension Scheme liabilities</i>	088
Note 25b:	<i>Defined Benefit Pension Scheme assumptions</i>	089
Note 25c:	<i>Defined Benefit Pension Scheme assets</i>	090
Note 25d:	<i>Transactions relating to retirement benefits</i>	091
Note 26:	<i>Trust Funds</i>	092
Note 27:	<i>Adjustments between Accounting Basis and Funding Basis under Regulations</i>	093
Note 28a:	<i>Usable Reserves</i>	096
Note 28b:	<i>LMS Balance – Ring-fenced for the local management of schools</i>	096
Note 28c:	<i>General Fund and Housing Revenue Account Earmarked Reserves</i>	097
Note 28d:	<i>Capital Receipts Reserve</i>	098
Note 28e:	<i>Capital Grants Unapplied Account</i>	098
Note 28f:	<i>Major Repairs Reserve</i>	098
Note 29:	<i>Unusable Reserves</i>	099
Note 30:	<i>Investing Activities</i>	101
Note 31:	<i>Financing Activities</i>	101
Note 32:	<i>Operating Activities (Interest)</i>	101
Note 33:	<i>Cash and Cash Equivalents</i>	102
Note 34:	<i>Reconciliation of Liabilities Arising from Financing Activities</i>	102

## Notes to the Accounts (General)

### STATEMENT OF ACCOUNTING POLICIES

#### Note 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 2022/23, these proper accounting practices principally comprise:

- The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 basis. 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 value <ul style="list-style-type: none"> <li>• quoted securities – current bid price</li> <li>• unquoted securities – professional estimate</li> <li>• unitised securities – current bid price</li> <li>• property – market value.</li> </ul>

## Notes to the Accounts (General) (continued)

## Note 1: Statement of Accounting Policies (continued)

## 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	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
Investment Properties	Movements in fair value	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
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2022/23	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
Capital Grants and Contributions	Grants that became unconditional in 2022/23 or were received in 2022/23 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 2023) 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)

**Note 1: Statement of Accounting Policies (continued)****b. Adjustments Between Accounting Basis and Funding Basis (continued)**

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2022/23.	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 2022/23.	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 2022/23..	Pensions Reserve
Council Tax	Accrued income from 2022/23 bills	Demand on the Collection Fund for 2022/23 plus share of estimated surplus at 31 March 2023.	Collection Fund Adjustment Account
Business Rates	Accrued income from 2022/23 bills	Precept from the Collection Fund for 2022/23	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2023.	No charge	Accumulated Absences Adjustment Account
Dedicated Schools Grant Deficit	The cost of the deficit in the dedicated schools grant.	Set aside of the deficit for recovery in future financial years.	Dedicated Schools Grant Adjustment Account

## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### 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.



## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### 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.

## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### 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.

## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### 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 Finance and Investment 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 Pension Scheme, administered by NHS Business Services Agency (NHSBSA).
- 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:
  - i) current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
  - ii) 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:
  - i) charged to the Financing and Investment Income and Expenditure line of the CIES
- Re-measurements comprising:
  - i) 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
  - ii) 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
  - iii) 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.

## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### i. Post-Employment Benefits (continued)

##### 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.

**j. Property, Plant and Equipment and Heritage Assets (continued)**

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
<i>Plant, furniture &amp; equipment</i>	<i>10 Years</i>
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.

**Note 1: Statement of Accounting Policies (continued)****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 set up by the council in 2017/18 for payments pertaining to historic child abuse. The provision set up for these costs is matched with a reserve on the balance sheet. As payments are made these are debited against the provision and are 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.

## Notes to the Accounts (General) (continued)

### Note 1: Statement of Accounting Policies (continued)

#### 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.

**Note 1: Statement of Accounting Policies (continued)****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 2022/23 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.



## CRITICAL JUDGEMENTS AND ASSUMPTIONS

### Note 2a: Critical Judgments 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 2023 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.

#### Assumptions Made About the Future and Other Major Sources of Uncertainty

##### *Future of Local Government Finance*

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.

##### *Cost of Living Crisis*

The economic impact of the war in Ukraine, and the resulting increase in inflation together with the challenges post pandemic has had a significant impact on the council, local businesses and individuals. It has also resulted in a cost of living crisis and there is a great deal of uncertainty at this stage regarding what the precise impact will be over time.

There have been no adjusting events after the balance sheet date that have required a change to the balance sheet figures at 31st March 2023.

##### *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 and Barnett Waddingham (the actuaries of the London Pension Fund Authority (LPFA)).

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	6	4	2,740	70,311
0.1% increase in salary increase rate	-	-	40	1,789
0.1% increase in pension increase rate	5	1	2,445	26,356
0.1% decrease in real discount rate	5	2	2,445	27,725

**Note 2a: Critical Judgments and Assumptions (continued)**

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

The sensitivity analysis 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.

**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 2022/23 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.

***Impairment on financial assets***

IFRS 9 requires that credit losses on financial assets are measured and recognised using the 'expected credit loss (ECL) approach. The ECL approach is used on applicable assets held at amortised cost or FV through other comprehensive income. The ECL approach results in the early recognition of credit losses because it includes, not only losses that have already been incurred, but also expected future credit losses – it is a forward looking model. Where the council identifies an expected credit loss the impairments on appropriate assets are amended were 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.

**Note 2a: Critical Judgments and Assumptions (continued)**

Critical judgements made in the Statement of Accounts are:

*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. The scheme closed for new applications on 1 January 2022.

The council received a capitalisation direction from Central Government enabling it to treat payments up to £125m as capital expenditure and fund the costs from external borrowing. The council has set aside a provision for the full amount of the capitalisation direction and each year has reversed the general fund impact of costs incurred on settling claims to the capitalisation direction reserve up to 31 March 2023.

There remains 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:

- It is not known, of the final claims received in January 2022, what proportion of the claims will be successful.
- 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.

Costs associated with the scheme have been monitored throughout 2022/23. The most recent actuarial assessments of the outstanding cases have estimated the total cost of the scheme to be £155.3m – a further £30.3m spend above the original estimate. The provision has therefore been topped up by this amount.

*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.

*Service Concessions*

The council is deemed to control the services provided under PFI agreements as detailed in note 21. 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 21.

## Notes to the Accounts (General) (continued)

### Note 2a: Critical Judgments and Assumptions (continued)

#### *Homes for Lambeth (HFL)*

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

- i) HFL GROUP LIMITED
- ii) HFL BUILD LIMITED
- iii) HFL HOMES LIMITED
- iv) HFL LIVING LIMITED

The council is the sole 100% shareholder of the companies. The council has therefore prepared Group accounts which incorporate HFL's figures into the statements.

### Note 2b: Post Balance Sheet

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

### Note 2c: Accounting Standards Issued but Not Yet Adopted

There are no changes in accounting requirements for 2021/23 that are anticipated to have a material impact on the council's financial performance or financial position.

## NOTES TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

## Note 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.

2021/22					2022/23			
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
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
97,284	-	12,266	109,550	Adults & Health	103,742	-	1,025	104,767
11,840	(960)	960	11,840	Chief Executive	6,336	-	-	6,336
90,029	(2,255)	6,715	94,489	Children's Services	106,721	(3,543)	7,585	110,763
16,997	29,862	53,217	100,076	Corporate Items Cost of Services	6,104	(31)	25,067	31,140
15,477	24	(3)	15,498	Finance & Investment	23,709	57	2	23,768
-	-	-	-	Housing Services (1)	32,813	3	-	32,816
82,886	(5,658)	17,731	94,959	Resident Services	56,953	(1,060)	20,763	76,656
7,001	(331)	3,864	10,534	Sustainable Growth & Opportunity	7,392	(6,495)	11,887	12,784
<b>321,514</b>	<b>20,682</b>	<b>94,750</b>	<b>436,946</b>	<b>Net Cost of Services excl HRA</b>	<b>343,770</b>	<b>(11,069)</b>	<b>66,329</b>	<b>399,030</b>
(41,732)	14,741	(29,905)	(56,896)	Housing Revenue Account	6,300	(6,291)	(19,300)	(19,291)
<b>279,782</b>	<b>35,423</b>	<b>64,845</b>	<b>380,050</b>	<b>Net Cost of Services incl HRA</b>	<b>350,070</b>	<b>(17,360)</b>	<b>47,029</b>	<b>379,739</b>
(256,897)	(35,422)	(36,541)	(328,860)	Other Income and Expenditure	(324,929)	17,360	(20,232)	(327,801)
<b>22,885</b>	<b>1</b>	<b>28,304</b>	<b>51,190</b>	<b>(Surplus)/Deficit</b>	<b>25,141</b>	<b>-</b>	<b>26,797</b>	<b>51,938</b>
			(223,341)	Opening General Fund and HRA Balance 1 April				(200,456)
			22,885	Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year				25,141
			<b>(200,456)</b>	<b>Closing General Fund and HRA Balance at 31 March*</b>				<b>(175,315)</b>

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

## Notes to the Accounts (General) (continued)

**Note 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.

2021/22					2022/23			
Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pension Adjustments	Other Adjustments	Total Adjustments
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
12,266	-	-	12,266	Adults & Health	1,025	-	-	1,025
960	-	-	960	Legal, Strategy & Communications	-	-	-	-
4,445	-	2,269	6,714	Children's Services	7,585	-	-	7,585
30,450	22,462	305	53,217	Corporate Items Cost of Services	8,691	16,376	-	25,067
(3)	-	-	(3)	Finance & Investment	2	-	-	2
-	-	-	-	Housing Services*	-	-	-	-
(33,065)	3,146	16	(29,903)	Housing Revenue Account	(21,995)	2,695	-	(19,300)
17,731	-	-	17,731	Resident Services	20,763	-	-	20,763
3,864	-	-	3,864	Sustainable Growth & Opportunity	11,887	-	-	11,887
<b>36,648</b>	<b>25,608</b>	<b>2,590</b>	<b>64,846</b>	<b>Net Cost of Services</b>	<b>27,958</b>	<b>19,071</b>	<b>-</b>	<b>47,029</b>
(35,131)	14,852	(16,262)	(36,541)	Other income and expenditure from the Funding Analysis	(31,126)	15,179	(4,285)	(20,232)
<b>1,517</b>	<b>40,460</b>	<b>(13,672)</b>	<b>28,305</b>	<b>Difference between (Surplus)/Deficit and the CIES Statement (Surplus)/Deficit on Provision of Services</b>	<b>(3,168)</b>	<b>34,250</b>	<b>(4,285)</b>	<b>26,797</b>

**Note 4: Expenditure & Income Analysed by Nature**

2021/22		2022/23
£'000		£'000
	<b>Expenditure</b>	
417,127	Employee benefits expenses	432,135
852,259	Other services expenses	851,151
73,373	Depreciation, amortisation, impairment	59,342
34,984	Interest payments	36,655
4,388	Precepts and levies	3,364
3,337	Payments to Housing Capital Receipts Pool	-
(13,134)	Loss/(Gain) on the disposal of assets	13,176
5,359	Impairments on Receivables	-
(1,349)	Impairment Losses / (Gains) on Investments	(996)
<b>1,376,344</b>	<b>Total expenditure</b>	<b>1,394,827</b>
	<b>Income</b>	
(321,349)	Fees, charges and other service income	(331,925)
(2,115)	Interest and investment income	(3,339)
(243,810)	Income from council tax, non-domestic rates	(250,070)
(757,883)	Government grants and contributions	(757,555)
<b>(1,325,157)</b>	<b>Total income</b>	<b>(1,342,889)</b>
<b>51,187</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>51,938</b>

## Notes to the Accounts (General) (continued)

### Note 5: Material Items of Income and Expense

#### Revaluation Gains / Losses

In 2022/23 there was a total net revaluation gain of 3.9m to the surplus / deficit on provision of services. This consisted of a net £15.3m gain recorded in the HRA due to revaluation gain and a £11.4m net revaluation loss recorded in the General Fund.

In 2021/22 there was a total net revaluation loss of 14.6m to the surplus / deficit on provision of services. This consisted of a net £25.8m gain recorded in the HRA due to revaluation gain and a £40.4m net revaluation loss recorded in the General Fund.

#### Redress Scheme

The total Scheme expenditure to 31 March 2023 is £132.3 million.

- £92.4 million paid in redress compensation directly to applicants (£15.9m HWP & £76.5m IRP),
- £14.0 million in respect of applicants' legal costs (paid to solicitors),
- £6.6 million for the council's own legal costs in processing applications,
- £8.9 million on applicant expenses, instruction of medical experts and social records chronology,
- £10.4 million on administrative & staffing costs.

The council in total received 2,239 applications of which some are still open.

#### Children's Services

Children's Services are facing significant cost pressures and the final outturn position in 2022/23 was an overspend of £20.0m. £14.0m was due to the increasing costs of social care placements from a combination of inflationary pressures, increased placement numbers and complexity of cases. £3.0m was attributable to on-going Social care staffing pressures due to challenges with recruiting permanently and the continual reliance on agency staff. Additional staff were also required to backfill front line posts due to high levels of sickness absence and to cover the additional demand from caseloads and service imperatives.

### Note 6: Members' Allowances

2021/22		2022/23
£'000		£'000
747	Members' Allowances	758
473	Special Responsibility Allowance	483
-	Members' Expenses	-
<b>1,221</b>		<b>1,241</b>



## Note 7a: Senior Officers' Remuneration

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
			£	£	£	£	£	£	£
Chief Executive - Bayo Dosunmu		2022/23	184,585	-	-	184,585	35,625	-	220,210
Chief Executive - Andrew Travers	1	2022/23	49,799	-	-	49,799	-	-	49,799
Strategic Director of Adults & Health		2022/23	76,062	-	-	76,062	10,937	-	86,999
Strategic Director of Housing - Fiona Connolly		2022/23	172,492	-	-	172,492	33,291	-	205,783
Strategic Director of Children's Services - Andrew Carter	2	2022/23	68,762	-	-	68,762	13,271	-	82,033
Strategic Director of Children's Services	3	2022/23	133,350	-	30,000	163,350	-	-	163,350
Strategic Director of Finance & investment - Fiona McDermott		2022/23	175,014	-	-	175,014	-	-	175,014
Acting Strategic Director of Finance & Investment - Christina Thompson		2022/23	163,052	-	-	163,052	31,686	-	194,738
Acting Strategic Director of Sustainable Growth & Opportunity		2022/23	123,693	-	-	123,693	24,020	-	147,713
Co-Strategic Director of Sustainable Growth & Opportunity	4	2022/23	113,352	-	23,939	137,291	15,200	-	152,491
Co-Strategic Director of Sustainable Growth & Opportunity	5	2022/23	114,263	-	35,339	149,602	15,200	-	164,802
Strategic Director of Resident Services - Venetia Reid-Baptiste		2022/23	161,735	-	-	161,735	31,215	-	192,950
Director of Strategy & Communications	6	2022/23	77,276	-	-	77,276	14,914	-	92,190
Director of Strategy & Communications	7	2022/23	91,530	-	-	91,530	16,823	-	108,353
Interim Director of Housing	8	2022/23	252,775	-	-	252,775	-	-	252,775
Director of Legal and Governance		2022/23	130,112	-	-	130,112	25,112	-	155,223
Director of Human Resources & Organisational Development	9	2022/23	108,177	-	-	108,177	20,878	-	129,055

1 Andrew Travers Left the council on 30/06/2022 and the annualised salary for this post is £150,219

2 Andrew Carter Joined the council on 7/11/2022 and the annualised salary for this post is £165,029

3 The Strategic Director of Children's Services left this post on 31/03/2023

4 The Co-Strategic Director of Sustainable Growth & Opportunity left the council on 31/12/2022, the annualised salary was £140,011

5 The Co-Strategic Director of Sustainable Growth & Opportunity left the council on 31/12/2022, the annualised salary was £140,011

6 The Director of Strategy & Communications attained this post on 03/01/2023, the annualised salary is £96,536

7 The Director of Strategy & Communications left the council on 15/01/2023, the annualised salary was £101,347

8 The Interim Director of Housing is paid via an agency, the total amount that is paid to the agency by the council does not necessarily represent the remuneration which is paid to the post holder

9 The Director of Human Resources & Organisation Development joined the council on 05/11/2022, the annualised salary is £129,813

## Note 7a: Senior Officers' Remuneration (continued)

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
			£	£	£	£	£	£	£
Chief Executive - Andrew Travers	1	2021/22	153,350	-	-	153,350	-	-	153,350
Strategic Director: Resident Services - Bayo Dosunmu	2	2021/22	171,366	-	-	171,366	33,074	-	204,440
Strategic Director of Adults & Health		2021/22	73,847	-	-	73,847	10,618	-	84,465
Strategic Director of Children's Services - Merlin Joseph	3	2021/22	168,866	-	-	168,866	32,591	-	201,457
Strategic Director of Finance and Investment - Fiona McDermott		2021/22	168,866	-	-	168,866	-	-	168,866
Co-Strategic Director of Sustainable Growth & Opportunity		2021/22	101,320	-	-	101,320	19,555	-	120,874
Co-Strategic Director of Sustainable Growth & Opportunity		2021/22	101,320	-	-	101,320	19,555	-	120,874
Strategic Director of Children's Services - Fiona Connolly		2021/22	152,987	-	-	152,987	29,527	-	182,514
Director: Strategy & Communications		2021/22	104,688	-	-	104,688	20,205	-	124,893
Director Finance and Property - Section 151 officer		2021/22	133,556	-	-	133,556	25,932	-	159,488
Director: Legal & Governance	4	2021/22	114,824	-	-	114,824	22,161	-	136,985
Director - Human Resources & Organisational Development		2021/22	129,096	-	30,000	159,096	-	-	159,096

1 Andrew Travers started working a four-day week on 1 May 2021.

2 Bayo acting up as Deputy Chief Executive and covering 1 day when Andrew Travers started working a 4 day week.

3 Payments for 2020/21 include earnings accrued in March 2020 and paid after 1st April 2020.

4 The Acting Director of Legal & Governance was in post from 1st February 2022 until 31st March 2022. These payments include ten months of the officer's substantive post as Assistant Director.

**Note 7b: Remuneration Details – Higher Earners**

Remuneration band	Number of school employees		*Number of other employees		Total number of employees	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£50,000 - £54,999	233	192	203	275	436	467
£55,000 - £59,999	127	168	102	138	229	306
£60,000 - £64,999	82	94	56	83	138	177
£65,000 - £69,999	50	66	62	58	112	124
£70,000 - £74,999	28	41	24	53	52	94
£75,000 - £79,999	18	24	16	16	34	40
£80,000 - £84,999	15	13	9	20	24	33
£85,000 - £89,999	8	7	15	6	23	13
£90,000 - £94,999	13	8	16	20	29	28
£95,000 - £99,999	10	11	7	7	17	18
£100,000 - £104,999	1	5	9	6	10	11
£105,000 - £109,999	6	2	1	5	7	7
£110,000 - £114,999	1	3	3	4	4	7
£115,000 - £119,999	3	4	3	-	6	4
£120,000 - £124,999	2	3	2	4	4	7
£125,000 - £129,999	-	3	1	2	1	5
£130,000 - £134,999	-	-	-	1	-	1
£135,000 - £139,999	-	2	-	-	-	2
£140,000 - £144,999	-	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-	-
Over £150,000	-	-	-	1	-	1
<b>Total for £50,000 to £139,999</b>	<b>597</b>	<b>646</b>	<b>529</b>	<b>699</b>	<b>1,126</b>	<b>1,345</b>

**Note 7c: Exit packages**

Exit 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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
0 – 20,000	9	7	116	44	125	51	810,153	435,543
20,001 – 40,000	9	2	15	17	24	19	698,293	506,923
40,001 – 60,000	4	1	8	8	12	9	589,630	432,007
60,001 – 80,000	-	-	4	1	4	1	249,973	61,591
80,001 – 100,000	1	1	1	-	2	1	185,049	82,015
100,001 – 150,000	2	-	1	-	3	-	356,339	-
150,001 – 200,000	-	-	1	-	1	-	155,657	-
<b>Total</b>	<b>25</b>	<b>11</b>	<b>146</b>	<b>70</b>	<b>171</b>	<b>81</b>	<b>3,045,094</b>	<b>1,518,080</b>

This note includes employees who received exit packages payments in 2022/23, even if their redundancy was agreed in the previous financial year.

**Note 8: 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:

2021/22		2022/23
£'000		£'000
176	Fees with regard to external audit services carried out by the appointed auditor for the year	263
44	Fees for the certification of grant claims and returns for the year	33
<b>220</b>		<b>296</b>

## GRANT INCOME, CONTRIBUTIONS AND TAXATION

## Note 9a: Breakdown of Taxation and Non-Specific Grant Income

2021/22		2022/23
£'000		£'000
(15,467)	Capital grants and Contributions – other (see note 9b)	(18,274)
(126,679)	Council Tax income	(140,703)
(53,378)	NNDR Retained Income	(45,613)
(63,754)	Top-Up grant – business rates retention scheme	(63,754)
(20,480)	NNDR S31 Grant	(20,439)
(32,385)	Revenue Support Grant	(33,383)
(62,914)	Other Non-service related grants (see note 9c)	(69,673)
<b>(375,057)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>(391,839)</b>

## Note 9b: Capital Grants and contributions

2021/22		2022/23
£'000		£'000
	<b>Credited to Taxation and non-specific grant income</b>	
(1,556)	Transport for London	(2,134)
(1,757)	Business Energy & Industrial Strategy	(2,598)
(5,114)	Section 20 Receipts	(2,799)
(4,221)	Standard Fund	(4,626)
(1,297)	S106 developers' contributions	(2,014)
(462)	GLA	(535)
(416)	Heritage Lottery fund	(1,762)
(73)	Community Infrastructure Levy	-
(17)	Department for Levelling Up, Housing & Communities	(1,101)
(555)	Other Grants - Capital (under £1.5m)	(705)
<b>(15,468)</b>	<b>Total of Non-ringfenced government grants</b>	<b>(18,274)</b>
	<b>Credited to services</b>	
(1,878)	Business Energy & Industrial Strategy	(1,542)
(67)	Standards Fund	(66)
(278)	S106 developers' contributions	-
(1,642)	GLA	(5,743)
(364)	Other Grants-Capital (under 1.5m)	(343)
<b>(4,229)</b>	<b>Total Credited to Services</b>	<b>(7,694)</b>
<b>(19,697)</b>	<b>Grand Total</b>	<b>(25,968)</b>

**Note 9c: Other Revenue Grant Income**

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

2021/22	Credited to Taxation and Non Specific Grant Income	2022/23
£'000		£'000
(11,957)	Adult Social Care Support	(16,197)
(5,866)	Community Infrastructure Levy	(15,964)
-	Contain Outbreak Management Fund	-
(11,198)	Covid-19 Additional Funding	-
(2,776)	Covid-19 Hardship Fund	-
-	Discretionary Grants Fund	-
(7,066)	Homelessness Reduction Act NB	(5,897)
-	Services Grant	(7,688)
(14,507)	Improved Better Care Fund	(14,946)
(4,473)	New Homes Bonus & New Homes Bonus Top Slice	(2,452)
(194)	Sales, Fees and Charges Compensation (Covid income loss)	
(1,490)	Tackling Troubled Families	(1,597)
(3,387)	Grants Under £1.5m	(4,932)
<b>(62,914)</b>	<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(69,673)</b>

## Note 9c: Other Revenue Grant Income (continued)

2021/22	Credited to services	2022/23
£'000		£'000
(8,913)	Additional Restrictions Grant	-
(2,445)	Additional Restrictions Grant Phase 3	-
(1,186)	Additional Grant for Schools	(5,394)
(2,227)	Adult and Community Learning	(2,876)
-	Adult Social Care Infection Control Fund	(2,836)
(2,359)	Covid catch-up Premium - Schools	-
(225,837)	Dedicated Schools Grant	(229,707)
(1,216)	Discretionary Housing Payment	(952)
	Discretionary Fund	(1,899)
(3,208)	Household support fund	(4,689)
(170,272)	Housing Benefit Subsidy	(169,836)
-	Homes for Ukraine	(2,873)
(2,930)	PFI Lilian Baylis PFI Project - DfE Grant	(1,931)
(7,729)	PFI Support Grant Income - Lambeth Myatts Field North HRA PFI Project	(7,729)
(2,786)	PFI Support Grant Income – Other	(2,786)
(33,459)	Public Health Grant	(34,399)
(11,780)	Pupil Premium	(12,419)
(2,224)	Rough Sleeping Grant	(2,698)
(215)	Teachers' Pay Grant	-
(9,169)	Test and Trace	(875)
(3,860)	Unaccompanied Children's Grant	(3,694)
(2,231)	Universal Infant Free School Meals	(2,012)
(6,497)	YPLA (LSC) 6th Form Grant	(7,730)
(1,531)	Other Covid-19 grants below £1.5m	(375)
(22,359)	Other government grants - Revenue (under £1.5m)	(17,040)
(138)	Non-government grants - Revenue	-
(11,797)	Better Care Fund - S75 Pooled Budget	(12,747)
(16,826)	Contributions from health authorities	(30,500)
(12,374)	Section 106	(2,187)
(1,785)	Other contributions income for schools	(13,542)
(25,496)	Other contributions under £1.5m	(24,140)
<b>(592,849)</b>	<b>Total Credited to Services (Grants and Contributions)</b>	<b>(597,866)</b>
<b>(655,763)</b>	<b>Grand Total</b>	<b>(667,539)</b>

## Note 10: Related Parties

This disclosure note has been prepared using the council's Register of Members' Declarations of Interest respect of related party transactions from Members and using specific declarations obtained in respect of related party transactions from 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 2023 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 9.

Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 16 and 18 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 14 and 15.

### Members

Members of the council have direct control over the council's financial and operating policies. During 2022/23 £4.3m (£2.5m in 2021/22) was paid to organisations in which 18 members (11 members in 2021/22) were on the governing body.

Organisation	2022/23
	£'000
Black Cultural Archives	83
We Are Waterloo Ltd	501
Brixton BID Ltd	497
Clapham Business Improvement District	335
London Youth Games Ltd	8
Groundwork London	120
South Bank Bid Ltd	981
Vauxhall One	1,203
Station to Station Business Improvement District	202
inStreatham Ltd	322
<b>Total</b>	<b>4,252</b>

During 2022/23 £0.2m (£0.3m in 2021/22) was received from organisations in which 14 members (8 members in 2021/22) were on the governing body. These figures are excluding the Western Riverside Waste Authority transactions which are shown in the next section of this note. It also excludes transactions with NHS bodies.

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 6 on allowances paid to members.



## Notes to the Accounts (General) (continued)

### Note 10: Related Parties (continued)

#### Senior Officers

In 2022/23, £51k (£69k in 2021/22) was paid to organisations in which 1 senior officer (1 in 2021/22) had related parties which excluded the HFL Group and NHS bodies.

#### Other Public Bodies

In addition, the council paid £15.0m (£15.2m in 2021/22) to Western Riverside Waste Authority in respect of waste disposal charges and £1.2m (£1.2m in 2021/22) 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 14 and 15.

The Council has borrowings (including accrued interest) of £810.2m (£728.9m in 2021/22) with the Public Works Loan Board (PWLB) and other Local Authorities. Interest payable on these loans was £29.0m (£27.4m in 2021/22). 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 £1.44m as at 31 March 2023 (£1.72m as at 31 March 2022). 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 £1.42m (£1.70m in 2021/22) 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.

The subsidiary accounts have been consolidated into the Council's Group Accounts as at 31 March 2023. Related transactions are summarised below:

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 and is reflected as a Long Term investment in the Council's financial statements. The company granted a sublease of these properties to HFL Homes.

The single entity financial statements include income receivable from HFL Group Limited and its subsidiaries of £2.9m (£1.6m in 2021/22) and expenditure payable of £0.6m (£0.7m in 2021/22).

The council has also advanced GLA grants of £3.2m to HFL Homes Limited, which were received by the council from the GLA on behalf of HFL Homes Limited (£1.0m in 2021/22).

As at 31 March 2023 the council's balance sheet includes short term debtors relating to HFL Group Limited and its subsidiaries of £2.9m (£1.0m in 2021/22) and short term creditors of £0.2m (£0.1m in 2021/22).

Note 10: Related Parties (continued)

In 2022/23 Lambeth issued £31.4m of loans to HFL Group Limited and its subsidiaries (£32.0m in 2021/22). Total interest charges for the year on all loans were £2.8m (£1.4m 2021/22). The outstanding balance of loans at 31st March 2023 was £69.3m (£45.9m in 2021/22). Other long term debtors of £1.1m (2021/22 £1.6m).

The Directors in office for HFL Group Limited, as at 31 March 2023 are as follows:

Directors of HFL Group Limited	Date of Appointment
Sandra Roebuck	14 Jan 2022
Kathryn Eames	20 Feb 2023
Paul Wickens	20 Feb 2023



## Note 11: Better Care Fund (Pooled Budget)

The council entered into a pooled budget arrangement with Lambeth Integrated Care Board (ICB) 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.

Since 2017-18, the Better Care Fund has been widened to encompass funding known as the Improved Better Care Fund (iBCF). This funding is received direct from the Department for Levelling Up, Housing and Communities (DLUHC). One of its key purposes is to manage the level of delayed transfers of care from acute settings to those in the community.

2021/22		2022/23
£'000		£'000
(16,185)	Lambeth Council	(17,882)
(27,682)	CCG	(30,994)
<b>(43,867)</b>	<b>Total funding provided to the pooled budget</b>	<b>(48,876)</b>
	<b>Expenditure met from pooled budget</b>	
27,954	Lambeth Council	30,864
15,913	CCG	18,012
<b>43,867</b>	<b>Total expenditure met from the pooled budget</b>	<b>48,876</b>
-	<b>Net surplus / deficit arising on the pooled budget during the year</b>	-

## NOTES TO THE BALANCE SHEET

## Note 12a: Property, Plant and Equipment

Balances as at 31-March-2023	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,537,675	1,306,731	120,316	10,154	38,102	59,602	4,072,580
Accumulated Depreciation	(8,807)	(4,506)	(87,942)	-	(146)	-	(101,401)
<b>Carrying Amount</b>	<b>2,528,868</b>	<b>1,302,225</b>	<b>32,374</b>	<b>10,154</b>	<b>37,956</b>	<b>59,602</b>	<b>3,971,179</b>
Owned	2,484,787	1,244,356	32,374	9,977	37,956	59,603	3,869,053
PFI	44,081	57,869	-	177	-	(1)	102,126
<b>Carrying Amount</b>	<b>2,528,868</b>	<b>1,302,225</b>	<b>32,374</b>	<b>10,154</b>	<b>37,956</b>	<b>59,602</b>	<b>3,971,179</b>

Balances as at 31-March-2023	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

## Movements in Carrying Amount

<b>At 1 April 2022</b>	<b>2,417,873</b>	<b>1,261,493</b>	<b>26,093</b>	<b>150,282</b>	<b>9,449</b>	<b>46,996</b>	<b>89,016</b>	<b>4,001,202</b>
Reclassifications	2,526	45,749	88	-	-	(7,222)	(41,141)	-
Additions	43,377	34,213	11,052	13,907	678	127	11,869	115,223
Revaluation gains/(losses) recognised in the revaluation reserve	87,642	20,322	-	-	27	(90)	1	107,902
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	13,487	(9,152)	-	-	-	(404)	-	3,931
Depreciation	(28,210)	(13,244)	(4,684)	(10,735)	-	(637)	-	(57,510)
Impairments recognised in the revaluation reserve	(271)	(8,353)	-	-	-	(79)	-	(8,703)
Impairments recognised in the surplus / deficit on the provision of services	(834)	(2,355)	(175)	-	-	(727)	(142)	(4,233)
Disposals and Decommissioning	(6,722)	(26,448)	-	-	-	(8)	(1)	(33,179)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>2,528,868</b>	<b>1,302,225</b>	<b>32,374</b>	<b>153,454</b>	<b>10,154</b>	<b>37,956</b>	<b>59,602</b>	<b>4,124,633</b>

## Note 12a: Property, Plant and Equipment

Balances as at 31-March-2022	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,426,722	1,263,886	109,739	9,449	47,158	89,016	3,945,970
Accumulated Depreciation	(8,849)	(2,393)	(83,646)	-	(162)	-	(95,050)
<b>Carrying Amount</b>	<b>2,417,873</b>	<b>1,261,493</b>	<b>26,093</b>	<b>9,449</b>	<b>46,996</b>	<b>89,016</b>	<b>3,850,920</b>
Owned	2,376,137	1,205,263	26,093	9,272	46,996	89,016	3,752,777
PFI	41,736	56,230	-	177	-	-	98,143
<b>Carrying Amount</b>	<b>2,417,873</b>	<b>1,261,493</b>	<b>26,093</b>	<b>9,449</b>	<b>46,996</b>	<b>89,016</b>	<b>3,850,920</b>

Balances as at 31-March-2022	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

## Movements in Carrying Amount

<b>At 1 April 2021</b>	<b>2,257,821</b>	<b>1,206,391</b>	<b>36,987</b>	<b>153,678</b>	<b>8,955</b>	<b>75,137</b>	<b>84,523</b>	<b>3,823,492</b>
Reclassifications	18,880	4,898	(16,751)	(2,067)	-	(8,389)	3,429	-
Additions	22,725	26,110	11,898	9,383	482	4,813	19,861	95,272
Revaluation gains/(losses) recognised in the revaluation reserve	122,710	50,877	85	-	12	(19,339)	14,838	169,183
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	26,736	(5,989)	-	-	-	(3,529)	(31,798)	(14,580)
Depreciation	(26,342)	(12,598)	(6,126)	(10,712)	-	(928)	-	(56,706)
Impairments recognised in the revaluation reserve	(71)	(2,339)	-	-	-	429	(1,447)	(3,428)
Impairments recognised in the surplus / deficit on the provision of services	(8)	(582)	-	-	-	(429)	(53)	(1,072)
Disposals and Decommissioning	(4,578)	(5,275)	-	-	-	(769)	(337)	(10,959)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>2,417,873</b>	<b>1,261,493</b>	<b>26,093</b>	<b>150,282</b>	<b>9,449</b>	<b>46,996</b>	<b>89,016</b>	<b>4,001,202</b>

## Note 12a: Property, Plant and Equipment (continued)

31-March-2022		31-March-2023
£'000	Reconciliation of infrastructure assets to PPE	£'000
	Infrastructure assets	-
138,151	<i>Owned</i>	141,756
12,131	<i>PFI</i>	11,698
	Other PPE Assets	-
3,752,777	<i>Owned</i>	3,869,053
98,143	<i>PFI</i>	102,126
4,001,202		4,124,633

Infrastructure assets are measured on a depreciated historical cost basis. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil.

**Note 12b: Property, Plant & Equipment valuation dates**

31-March-2023	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	-	25,477	32,374	153,454	10,154	-	53,611	275,070
Valued at current value as at:								
31-Mar-17	-	-	-	-	-	-	-	-
31-Mar-18	-	246	-	-	-	-	-	246
31-Mar-19	-	20,384	-	-	-	-	-	20,384
31-Mar-20	-	21,212	-	-	-	-	721	21,933
31-Mar-21	-	96,607	-	-	-	3,497	148	100,252
31-Mar-22	-	76,037	-	-	-	3,830	5,122	84,989
31-Mar-23	2,528,868	1,062,262	-	-	-	30,629	-	3,621,759
<b>Total cost or valuation</b>	<b>2,528,868</b>	<b>1,302,225</b>	<b>32,374</b>	<b>153,454</b>	<b>10,154</b>	<b>37,956</b>	<b>59,602</b>	<b>4,124,633</b>

## Note 12c: 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:

Software Licences		Software Licences	
31-March-2022		31-March-2023	
£'000		£'000	
2,743	Balance at start of year:	4,844	
16,404	Gross carrying amounts	19,863	
(14,006)	Accumulated amortisation	(15,020)	
2,398	Net carrying amount at start of year	4,844	
	<b>Additions:</b>		
3,459	Purchases	2,701	
(1,014)	Amortisation for the period	(1,529)	
4,844	Net carrying amount at end of year	6,016	
	<b>Comprising:</b>		
19,863	Gross carrying amounts	22,564	
(15,020)	Accumulated amortisation	(16,548)	
4,843	Balance at end of year	6,016	



**Note 12d: Capital Expenditure and Capital Financing**

31-March-2022		31-March-2023
£'000		£'000
1,070,505	Opening Capital Financing Requirement	1,155,794
	Adjustment to prior year closing	(7,408)
	<b>Capital Investment:</b>	
95,273	Property, Plant and Equipment	115,223
97	Heritage Assets	32
3,459	Intangible Assets	2,701
30,851	Revenue Expenditure Funded from Capital under Statute	17,665
33,426	Investments	34,210
	<b>Sources of Finance:</b>	
(3,062)	Repayment of loan	(12,990)
-	141 Capital Receipts	-
(9,900)	Capital Receipts	(31,050)
(15,699)	Government grants and other contributions	(26,632)
(25,027)	Major Repairs Reserve	(35,080)
1	Section 20	(2,799)
(1,575)	S106 contributions	(2,014)
(5,828)	Community Infrastructure Levy	(10,284)
-	Direct revenue contributions	-
(3,049)	Sums set aside from revenue	(3,477)
(13,678)	MRP / loans principal	(15,863)
<b>1,155,794</b>	<b>Closing Capital Financing Requirement</b>	<b>1,178,028</b>
	<b>Explanation of movements in year:</b>	
85,289	Increase / (decrease) in underlying need to borrow	22,234
<b>85,289</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>22,234</b>

**Note 12e: Capital Commitments**

31-March-2022		31-March-2023
£'000		£'000
-	Finance & Investment	
16,590	Resident Services (GF)	15,735
36,923	Resident Services (HRA)	30,324
-	Housing (GF)	1,480
6,807	Sustainable Growth & Opportunity	6,059
-	Children's Services	988
<b>60,320</b>	<b>Total</b>	<b>54,585</b>

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

The largest capital commitments within Resident Services (GF) are for Lambeth Archives, the new build of an Adult Day Centre, Sudbourne School and a Waste and Cleansing Fleet Replacement programme. Somerleyton Road works are the largest capital commitment within Sustainable Growth & Opportunity. The HRA includes LHS works and expenditure relating to Fire Risk Assessment works.

**Note 12f: Assets Held for Sale**

31-March-2022		31-March-2023
£'000		£'000
<b>440</b>	<b>Balance at start of year</b>	-
(440)	Assets sold	-
-	Assets Reclassified as Assets Under Construction	-
-	Revaluations	-
-	Assets newly classified as held for sale:	-
-	Property, Plant and Equipment	-
-	<b>Balance at year-end</b>	-

## Note 12g: 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.

## Note 13a: Financial Instruments

2021/22				2022/23		
Non-Current	Current	Total		Non-Current	Current	Total
£'000	£'000	£'000		£'000	£'000	£'000
	(15,562)	(15,562)	Rents		(15,295)	(15,295)
	(5,702)	(5,702)	Right to buy service charges and s20 creditors		(5,185)	(5,185)
	(120,216)	(120,216)	Other payables		(107,215)	(107,215)
	(17,090)	(17,090)	Short-term Borrowing – PWLB		(57,574)	(57,574)
	(4,820)	(4,820)	Short-term Creditors – IFRIC 12		(5,090)	(5,090)
(721,658)	-	(721,658)	Long-term Borrowing – PWLB	(752,666)		(752,666)
(9,810)	-	(9,810)	Long-term Borrowing – Housing Zone Loan	-		-
(81,189)	-	(81,189)	Long-term Creditors – IFRIC12	(76,099)		(76,099)
<b>(812,657)</b>	<b>(163,390)</b>	<b>(976,047)</b>	<b>Total Financial Liabilities at Amortised Cost</b>	<b>(828,765)</b>	<b>(190,359)</b>	<b>(1,019,124)</b>
-	15,670	15,670	Rents		18,357	18,357
-	20,444	20,444	Right to buy service charges and S20 works		18,777	18,777
-	63,663	63,663	Other receivables		77,350	77,350
48,203	-	48,203	Long-term Debtors	69,421		69,421
35,645	-	35,645	LT Investments -FVPL	36,641		36,641
-	20,061	20,061	LT Investments - Other		30,468	30,468
<b>83,848</b>	<b>119,838</b>	<b>203,686</b>	<b>Total Financial Assets at Amortised Cost unless otherwise stated above</b>	<b>106,062</b>	<b>144,952</b>	<b>251,014</b>

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 financial liabilities and financial assets consists of short-term loans and excludes some elements of debtors.

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

**Note 13b: Impairment (credit) losses on receivables**

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	Rent Debtors	Sundry Debtors	RTB and S20 Leaseholders	Parking Debtors	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2021</b>	<b>(12,366)</b>	<b>(11,557)</b>	<b>(996)</b>	<b>(13,383)</b>	<b>(38,302)</b>
Write-offs	-	-	-	9,785	9,785
Set up/Release	(2,569)	-	-	(11,593)	(14,162)
<b>Balance as at 31 March 2022</b>	<b>(14,935)</b>	<b>(11,557)</b>	<b>(996)</b>	<b>(15,191)</b>	<b>(42,679)</b>
<i>Adjustment to prior year opening balance</i>	783	(1,941)	-	(565)	(1,723)
Write-offs	845	1,531	-	5,262	7,638
Set up/Release	(3,663)	(295)	-	(9,457)	(13,415)
<b>Balance as at 31 March 2023</b>	<b>(16,970)</b>	<b>(12,262)</b>	<b>(996)</b>	<b>(19,951)</b>	<b>(50,179)</b>

**Note 13c: Income, Expense, Gains and Losses**

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

31-March-2022		31-March-2023
£'000		£'000
(2,115)	Interest Receivable	(3,339)
34,984	Interest Payable	36,655
(14,163)	Impairment Loss on financial assets	(13,415)
<b>18,706</b>	<b>Total</b>	<b>19,901</b>

**Note 13d: 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.

31-March-2022			31-March-2023	
Carrying amount	Fair value		Carrying amount	Fair value
£'000	£'000		£'000	£'000
27,645	27,645	Financial assets – Resonance Fund investment	28,641	28,641
(721,658)	(1,112,272)	Financial liabilities – PWLB debt	(752,666)	(776,766)
(9,810)	(9,810)	Financial liabilities – Housing zone loan	-	-

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** - those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities.

**Level 2** - those where quoted market prices are not available.

**Level 3** - 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 assessed as level 3, based on the level at which the fair value is observable.

Reconciliation of Fair Value Measurements within Level 3	Market Value 31-March-2022	Unrealised gain	Market Value 31-March-2023
	£'000	£'000	£'000
Long Term Investment	27,645	996	28,641

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 £996k gain resulting from this valuation (valuation dated 31 March 2023) is recognised in Financing & Investment income / expenditure for 2022/23 in the CIES (£1,349k gain in 2021/22). It does not impact the general fund balance as it is reversed through the MIRS as an adjustment between accounting and funding basis under regulations.

All other financial assets are held at amortised cost unless otherwise annotated in the tables above.

## Notes to the Accounts (General) (continued)

### Note 13d: Fair Values of Assets and Liabilities (continued)

The fair value of the liabilities for PWLB debt 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.

### Note 13e: 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 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 2023 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 13b.

## Notes to the Accounts (General) (continued)

**Note 13f: Term deposits with banks and financial institutions**

31-March-2022	Term deposits with banks and financial institutions	31-March-2023
£'000		£'000
15,179	Investments with Banks	10,190
10,000	Investments with Building Societies	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.

**Note 13g: Analysis by Maturity**

31-March-2022		31-March-2023
£'000		£'000
96,167	Maturing in 1 to 10 years	107,365
47,256	Maturing in 10 to 20 years	47,256
64,106	Maturing in 20 to 30 years	78,411
203,939	Maturing in 30 to 40 years	189,634
320,000	Maturing in more than 40 years	360,000
<b>731,468</b>	<b>Total</b>	<b>782,666</b>

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. Most of the borrowing is with the Public Works Loan Board on a fixed term and fixed interest basis. 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 2023 a 1% change in interest rates would change the interest receivable by £0.01m.



**Note 14: Short-Term Debtors by category of counterparty**

31-March-2022		31-March-2023
£'000		£'000
33,582	Central government bodies	34,071
27,347	Other Local Authorities	15,007
17	Public Corporations and Trading Funds	17
1,940	National Health Service Bodies	1,769
139,625	Other Entities and Individuals	152,488
<b>202,511</b>	<b>Total</b>	<b>203,352</b>

**Note 15: Short-Term Creditors by category of counterparty – which includes Note 16 as a subset**

31-March-2022		31-March-2023
£'000		£'000
(111,457)	Central government bodies*	(45,458)
(13,129)	Other Local Authorities	(9,250)
(32)	Public Corporations and Trading Funds	(10)
(15,862)	National Health Service Bodies	(14,688)
(112,172)	Other Entities and Individuals	(132,324)
<b>(252,652)</b>	<b>Total</b>	<b>(201,730)</b>

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

**Note 16: Revenue Grants Receipts in Advance**

31-March-2022		31-March-2023
£'000		£'000
-	Additional Grant for Schools	(571)
(1,243)	Adult and Community Learning	(865)
(558)	Adult and Social Care Infection Fund	(558)
(920)	Community Discharge Grant	(1,382)
(9,304)	COVID-19 Additional Relief Fund (CARF)	(6,395)
(834)	COVID-19 CEV Support Funding	(834)
-	Dedicated Schools Grant	(1,067)
(1,526)	Discretionary Fund	-
(1,526)	Local Digital Fund	(2,983)
(44)	National Leisure Recovery Fund	(44)
(559)	Rough Sleeping Grant	(302)
(51,014)	S31 NDR Retail Relief	(2,446)
(370)	Test and Trace	-
	Homes for Ukraine	(3,578)
(2,071)	Government Grants (under £500k)	(5,519)
<b>(69,969)</b>	<b>Government Grants Subtotal</b>	<b>(26,544)</b>
(241)	Non-Government Grants	(266)
<b>(70,210)</b>	<b>Total Revenue Grant Receipts in Advance</b>	<b>(26,810)</b>

**Note 17: Debtors for Local Taxation**

31-March-2022					31-March-2023			
Lambeth	GLA	Central Government	Total		Lambeth	GLA	Central Government	Total
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
				<b>Under 1 year</b>				
5,592	1,746	N/A	7,338	Council Tax	4,083	1,332	N/A	5,415
661	816	727	2,204	Non-domestic rates	1,056	1,302	1,161	3,519
				<b>Over 1 year</b>				
15,952	4,982	N/A	20,934	Council Tax	10,428	3,402	N/A	13,830
5,877	7,248	6,465	19,590	Non-domestic rates	3,495	4,310	3,844	11,649
<b>28,082</b>	<b>14,792</b>	<b>7,192</b>	<b>50,066</b>	<b>Closing balance</b>	<b>19,062</b>	<b>10,346</b>	<b>1,161</b>	<b>34,413</b>

**Note 18: 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:

31-March-2022		31-March-2023
£'000		£'000
(21,722)	Developers' contribution	(31,244)
(2,686)	Standard Fund	(7,490)
(6,391)	Greater London Authority	(3,785)
(4,933)	Ministry of Housing, Communities & Local Government	(5,031)
(10,729)	Other Grant	(7,340)
<b>(46,461)</b>	<b>CURRENT LIABILITIES</b>	<b>(54,890)</b>
(28,318)	Developers' contribution	(26,172)
(236)	Standard Fund	(236)
(645)	Greater London Authority	(448)
(81)	Ministry of Housing, Communities & Local Government	(80)
(915)	Other Grant	(915)
<b>(30,195)</b>	<b>NON-CURRENT LIABILITIES</b>	<b>(27,851)</b>
<b>(76,656)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(82,741)</b>

**Note 19: Dedicated Schools Grant (DSG)**

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 2022/23 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2022/23 before academy and high needs recoupment			308,170
Academy and high needs figure recouped for 2022/23			77,421
<b>Total DSG after academy and high needs recoupment for 2022/23</b>			<b>230,748</b>
Plus: Brought forward from 2021/22			-
Less: Carry-forward to 2023/24 agreed in advance			-
<b>Agreed initial budgeted distribution in 2022/23</b>	<b>51,388</b>	<b>179,360</b>	<b>230,748</b>
In year adjustments	(246)	(795)	(1,041)
<b>Final budget distribution for 2022/23</b>	<b>51,142</b>	<b>178,565</b>	<b>229,707</b>
Less: Actual central expenditure	46,285		46,285
Less: Actual ISB deployed to schools		178,565	178,565
Plus: Local authority contribution for 2022/23			-
In Year Carry-forward to 2023/24	4,857	-	4,854
Plus/Minus: Carry-forward to 2023/24 agreed in advance			-
Carry-forward to 2023/24			4,856
DSG unusable reserve at end of 2021/22			(2,743)
Addition to DSG unusable reserve at end of 2022/23			-
Total of DSG unusable reserve at end of 2022/23			(2,743)
<b>Net DSG position at end of 2022/23</b>			<b>2,113</b>

## Notes to the Accounts (General) (continued)

## Note 20a: Leases – Authority as Lessee

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

31-March-2022		31-March-2023
£'000		£'000
921	Not later than one year	128
1,511	Later than one year and not later than five years	335
2,461	Later than five years	828
<b>4,893</b>	<b>Total</b>	<b>1,291</b>

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 2022/23 was £1.0m, comprising £1.0m Minimum Lease Payments (£1.0m in 2021/22).

## Note 20b: 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 £2.04m (£2.07m in 2021/22), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2021/22).

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

31-March-2022			31-March-2023	
Gross Investment in the Lease	Minimum Lease Payments		Gross Investment in the Lease	Minimum Lease Payments
£'000	£'000		£'000	£'000
30	7	Not later than one year	30	6
119	23	Later than one year and not later than five years	119	22
1,925	72	Later than five years	1,895	67
<b>2,074</b>	<b>102</b>	<b>Total</b>	<b>2,044</b>	<b>95</b>

Of the total of £2,044k, the element of unearned finance income was £1,629k, with £414k going towards repayment of the lease debtor (£2,073k and £415k in 2021/22). There was no contingent rent corresponding to these lease arrangements.

**Notes to the Accounts (General) (continued)****Note 20b: Leases – Authority as Lessor (continued)**

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

31-March-2022		31-March-2023
£'000		£'000
5,147	Not later than one year	5,388
16,556	Later than one year and not later than five years	17,145
25,000	Later than five years	29,225
<b>46,703</b>	<b>Total</b>	<b>51,758</b>

The increase in future minimum lease payments is due to some long term leases that reached the end of their life being renewed.

**Note 21: IFRIC 12 – Service Concession Arrangements (including PFI / PPP contracts)**

The council has recognised four contracts on its Balance Sheet:

**Norwood Hall** is a PFI that started in June 2014 and £8.8m of new asset were recognized accordingly. £1.06m of payments were made in 2022/23. 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 2022/23 totalling £3.36m. 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 2022/23 amounted to £2.15m 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 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 2022/23 were £11.12m. 357 homes will be sold; the council will retain ownership.

**Note 21a: The value and movement of assets held under PFI and similar contracts.**

	Lilian Baylis	Norwood Hall	Lambeth Lighting	Myatts Field North	Total
	£'000	£'000	£'000	£'000	£'000
<b>01-April-2022</b>	28,280	26,882	12,132	42,980	110,274
Additions	368	-	-	-	368
Revaluations	496	1,649	-	2,832	4,977
Depreciation	(435)	(425)	(434)	(501)	(1,795)
Disposals	-	-	-	-	-
<b>31-March-2023</b>	<b>28,709</b>	<b>28,106</b>	<b>11,698</b>	<b>45,311</b>	<b>113,824</b>

**Note 21b: The value and movement of outstanding liabilities resulting from PFI, finance leases and similar contracts at each Balance Sheet date.**

	Lilian Baylis	Norwood Hall	Lambeth Lighting	Myatts Field North	Total
	£'000	£'000	£'000	£'000	£'000
<b>01-April-2022</b>	(7,353)	(6,758)	(5,091)	(66,808)	(86,010)
Liability in year	-	-	-	-	-
Payments in year	601	326	653	3,240	4,820
<b>31-March-2023</b>	<b>(6,752)</b>	<b>(6,431)</b>	<b>(4,438)</b>	<b>(63,568)</b>	<b>(81,190)</b>

**Note 21c: 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 2023 are set out in the table below.

Lilian Baylis 31 March 2023

	Liability	Interest	Service	PPE	Total
	£'000	£'000	£'000	£'000	£'000
<b>Within 1 Year</b>	636	1,457	999	362	3,455
2-5 Years	3,504	5,755	4,232	1,213	14,704
6-10 Years	2,613	2,814	2,040	447	7,915
<b>Total</b>	<b>6,753</b>	<b>10,026</b>	<b>7,272</b>	<b>2,023</b>	<b>26,073</b>

**Note 21c: Details of payments due to be made under PFI, finance leases and similar contracts (continued)**

(separated into repayments of liability, interest and service charges) as at 31 March 2023 are set out in the table below.

Lambeth Lighting 31 March 2023

	Liability	Interest	Service	PPE	Total
	£'000	£'000	£'000	£'000	£'000
<b>Within 1 Year</b>	663	432	1,410	133	2,640
2-5 Years	2,323	1,026	6,174	1,047	10,570
6-10 Years	1,450	252	4,490	871	7,064
<b>Total</b>	<b>4,437</b>	<b>1,710</b>	<b>12,074</b>	<b>2,052</b>	<b>20,274</b>

Myatt's Field 31 March 2023

	Liability	Interest	Service	Total
	£'000	£'000	£'000	£'000
<b>Within 1 Year</b>	3,449	4,285	3,557	11,291
2-5 Years	14,614	14,604	17,118	46,335
6-10 Years	20,986	11,894	28,038	60,917
11-15 Years	24,519	6,026	22,116	52,661
<b>Total</b>	<b>63,567</b>	<b>36,808</b>	<b>70,829</b>	<b>171,205</b>

Norwood Hall 31 March 2023

	Liability	Interest	Service	Total
	£'000	£'000	£'000	£'000
<b>Within 1 Year</b>	342	606	218	1,166
2-5 Years	1,427	2,381	1,157	4,965
6-10 Years	1,673	2,617	2,298	6,589
11-15 Years	2,020	2,496	2,740	7,256
16-20 Years	969	929	1,002	2,901
<b>Total</b>	<b>6,431</b>	<b>9,030</b>	<b>7,416</b>	<b>22,877</b>



**Note 22: Provisions**

	Balance at 31-March-2022	Additional provision	Amounts Utilised	Amounts Released	Balance at 31-March-2023
	£'000	£'000	£'000	£'000	£'000
Insurance Fund GF	(5,539)	(1,359)	1,118	-	(5,780)
NNDR Provision for Appeals	(1,027)	(1,263)	-	-	(2,290)
Redress Scheme	(37,640)	-	17,067	-	(20,573)
Tax & VAT Assessments	(285)	-	-	-	(285)
Term Time Ruling	(241)	-	146	-	(95)
Small Provisions	(320)	-	305	-	(15)
Disputes	(1,123)	-	318	-	(805)
<b>Sub-Total GF Provisions</b>	<b>(46,175)</b>	<b>(2,622)</b>	<b>18,954</b>	<b>-</b>	<b>(29,843)</b>
Insurance Fund HRA	(2,548)	(459)	387	-	(2,620)
HRA Litigation Provision	(1,500)	-	-	1,000	(500)
<b>Sub-Total HRA Provisions</b>	<b>(4,048)</b>	<b>(459)</b>	<b>387</b>	<b>1,000</b>	<b>(3,120)</b>
<b>Total Council Provisions</b>	<b>(50,223)</b>	<b>(3,081)</b>	<b>19,341</b>	<b>1,000</b>	<b>(32,963)</b>

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

- The Insurance Fund**

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**

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.

- Redress Scheme**

Note 22 - part where it says redress, please say The council has setup a provision to fund payments made under the Redress scheme pertaining to historic child sexual abuse. The scheme ran until 1 January 2022.

- Term Time Ruling**

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 and has setup a provision to cover the financial liability associated with any backdated adjustments.

## Notes to the Accounts (General) (continued)

### Note 22: Provisions (continued)

- HRA Litigation Provision**

The council, along with a number of other authorities, entered into agency agreements to collect water rates on behalf of Thames Water, with discounts to cover the council's cost of collection. Following the case of Ross -v- R B of Kingston Upon Thames where it was determined that discounts should have been passed to the consumer, the council has setup a provision to repay sums to current and former tenants. The council's agreement with Thames Water was terminated on 31 March 2020.

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

2022/23	Less than one year	Between one year and five years	Greater than five years	Balance at 31-March-2023
	£'000	£'000	£'000	£'000
Insurance fund GF	(1,568)	(4,213)	-	(5,781)
NNDR Provision for Appeals	(2,289)	-	-	(2,289)
Redress Scheme	(20,573)	-	-	(20,573)
Tax & VAT Assessments	(285)	-	-	(285)
Term Time Ruling	-	-	-	-
Small Provisions	(593)	-	-	(593)
Disputes	(323)	-	-	(323)
<b>Sub-Total GF Provisions</b>	<b>(25,631)</b>	<b>(4,213)</b>	<b>-</b>	<b>(29,844)</b>
Insurance Fund HRA	(518)	(2,101)	-	(2,619)
HRA Litigation Provision	-	(200)	(300)	(500)
<b>Sub-Total HRA Provisions</b>	<b>(518)</b>	<b>(2,301)</b>	<b>(300)</b>	<b>(3,119)</b>
<b>Total Council Provisions</b>	<b>(26,149)</b>	<b>(6,514)</b>	<b>(300)</b>	<b>(32,963)</b>

### Note 23: Contingent Liabilities

Contingent liabilities are possible obligations arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council or a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

The council has no contingent liabilities.

## Note 24: 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 2021/22 the council paid £16.9m to the TPA (£16.8m in 2021/22), representing 23.68% of pensionable pay (23.68% in 2021/22). The contributions due to be paid in the next financial year are estimated to be £23.3m in 2023/24 or 23.68% of pensionable pay. For 2022/23 the council made contributions to the NHS Pension Scheme of £0.05m (£0.06m in 2021/22). The contributions due to be paid to the NHS Pension Scheme in the next financial year are estimated to be £0.05m in 2023/24.

## Note 25: 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.

**Note 25a: Net Defined Benefit Pension Scheme 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 2023.

2021/22				2022/23		
Scheme Assets	Pensions Obligations	Net Pensions Liability		Scheme Assets	Pensions Obligations	Net Pensions Liability
£'000	£'000	£'000		£'000	£'000	£'000
1,825,899	(2,542,764)	(716,865)	Opening Balance at 1 April	1,888,949	(2,439,581)	(550,632)
	(73,937)	(73,937)	Current Service Cost		(69,634)	(69,634)
	(314)	(314)	Past Service cost and gains/losses on curtailments		(159)	(159)
36,116	(50,865)	(14,749)	Interest Income and Expense	50,651	(65,803)	(15,152)
(103)		(103)	Admin Expense	(27)		(27)
(71,648)	71,648	-	- Retirement Grants and Pensions	(75,922)	75,922	-
			- Settlements	(1,840)	3,981	2,141
(35,635)	(53,468)	(89,103)	Total post employment benefit charged to the (surplus)/deficit on provision of services	(27,138)	(55,693)	(82,831)
			<b>Remeasurements</b>			
2,363		2,363	- Return on Plan Assets	(190,662)		(190,662)
	8,435	8,435	- Actuarial Gains and Losses arising from changes in demographic assumptions		18,968	18,968
	142,421	142,421	- Actuarial Gains and Losses from changes in Financial Assumptions		813,120	813,120
38,028	15,446	53,474	- Experience loss /(gain) on defined benefit obligation	114	(133,111)	(132,997)
40,391	166,302	206,693	Post-Employment Benefits Charged to other Comprehensive Income and Expenditure Statement	(190,548)	698,977	508,429
			<b>Contributions</b>			
48,643		48,643	- The Council	48,581		48,581
9,651	(9,651)	-	- Employees	10,811	(10,811)	-
58,294	(9,651)	48,643	Employers contributions payable to scheme	59,392	(10,811)	48,581
1,888,949	(2,439,581)	(550,632)	Closing Balance at 31 March	1,730,655	(1,807,108)	(76,453)

**Note 25b: Defined Benefit Pension Scheme assumptions**

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:

Mortality assumptions:	LPFA		Lambeth	
	2021/22	2022/23	2021/22	2022/23
<b>Longevity at 65 for current pensioners:</b>				
Men	20.9 years	20.1 years	21.3 years	21.3 years
Women	23.7 years	23.4 years	23.7 years	24.0 years
<b>Longevity at 65 for future pensioners:</b>				
Men	22.3 years	21.4 years	22.9 years	22.7 years
Women	25.3 years	24.7 years	25.5 years	25.6 years
Rate of increase in salaries	4.40%	3.90%	3.70%	3.50%
Rate of increase in pensions (CPI)	3.40%	2.90%	3.20%	3.00%
Rate for discounting scheme liabilities	2.60%	4.80%	2.70%	4.75%

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2

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.

**Note 25c: Defined Benefit Pension Scheme assets**

31-March-2022		LPFA Employer Asset Share – Bid Value	31-March-2023	
£'000	%		£'000	%
50,490	54	Equities	51,196	58
-	N/A	LDI/Cashflow matching	-	N/A
19,105	24	Target Return Portfolio	16,188	19
9,037	8	Infrastructure	11,016	13
-	N/A	Commodities	-	N/A
7,959	9	Property	8,549	10
2,113	5	Cash	111	-
<b>88,704</b>	<b>100</b>	<b>Total</b>	<b>87,060</b>	<b>100</b>

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

31-March-2022		LBL Pension Fund Employer Asset Share – Bid Value	31-March-2023	
£'000	%		£'000	%
		<b>Equity Securities</b>		
206,298	12	Consumer	186,607	11
105,681	6	Manufacturing	112,320	7
69,231	4	Energy and Utilities	37,757	2
226,256	13	Financial Institutions	232,598	14
104,421	6	Health & Care	107,074	7
246,445	14	Information Technology	198,050	12
118,298	7	Other	167,723	10
		<b>Debt Securities</b>		
	0	UK Government	-	0
268,768	15	Other	179,934	11
74,074	4	Private Equity	64,304	4
43,871	2	Real Estate - UK Property	46,802	3
118,613	7	Real Estate - Overseas Property	122,316	7
		<b>Investment Funds and Unit Trusts</b>		
-	0	Equities	-	0
		Bonds	-	0
-	0	Hedge Funds	-	0
75,698	4	Other	125,954	8
104,563	6	Cash and Cash Equivalents	67,156	4
<b>1,762,217</b>	<b>100</b>	<b>Total</b>	<b>1,648,595</b>	<b>100</b>

**Notes to the Accounts (General) (continued)****Note 25c: Defined Benefit Pension Scheme assets (continued)**

There has been an overall increase in the net pension liability for 2022/23. The council's obligations are an estimate, based on the best evidence that the actuaries have at 31st March 2023.

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 was completed on 31 March 2019. The estimated employers' contributions for the year ending 31 March 2023 will be approximately £40.2m.

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.

**Note 25d: Transactions relating to retirement benefits**

2021/22 £'000	Comprehensive Income and Expenditure Statement	2022/23 £'000
	<b>Cost of Services</b>	
73,937	Current Service Cost	69,634
314	Past Service cost and (gains)/losses on curtailments	159
-	Effect of settlements	(2,141)
	<b>Other Operating (income)/expenditure</b>	
103	Admin Expense	27
	<b>Financing and Investment Income and Expenditure</b>	
14,749	Interest Income and Expense (Net)	15,152
<b>89,103</b>	<b>Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>82,831</b>
	<b>Re-measurements of the Net Defined Benefit Liability</b>	
(2,363)	Return on Plan Assets	190,662
-	Other actuarial (gains) and losses on assets	-
(142,421)	Actuarial (Gains) and Losses from changes in Financial Assumptions	(813,120)
(8,435)	Actuarial (Gains) and Losses arising from changes in demographic assumptions	(18,968)
(53,474)	Experience Adjustments	132,997
<b>(206,693)</b>	<b>Total Re-measurements Recognised in CIES</b>	<b>(508,429)</b>
<b>(117,590)</b>	<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(425,598)</b>

**Note 26: 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-2022	Comprehensive Income and Expenditure Statement	Balance at 31-March-2023
£'000		£'000
(8,008)	Monies Held on behalf of adult care clients	(7,852)
(14)	Monies Held on behalf of children in care	(14)
(307)	Wellington Mills - Housing Co-operative	(307)
(480)	Others	(544)
<b>(8,809)</b>	<b>Total Trust Funds</b>	<b>(8,717)</b>



## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

## Note 27: 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

2022/23	Usable Reserves						Corresponding Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserves	Capital Grants Unapplied	Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	

## 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	1,007					(1,007)	Financial Instruments Adjustment Account
• Pension costs	(31,555)	(2,695)				34,250	Pensions Reserve
• Council tax & business rates	4,274					(4,274)	Collection Fund Adjustment Account
• Holiday pay						-	Accumulated Absences Account
• Dedicated Schools Grant Deficit						-	Dedicated Schools Grant Adjustment

## Reversal of entries in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:

• Amortisation of intangible assets	(1,529)					1,529	Capital Adjustment Account
• Charges for depreciation and impairment	(42,687)	(15,126)				57,813	
• Revenue expenditure funded from capital under statute	(17,665)					17,665	
• Carrying amounts of non-current assets written off on disposal or sale	(26,457)	(6,722)				33,179	
• Capital grant income	17	2,799			(2,816)	-	

## 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	682	19,321	(20,003)			-	Deferred Capital Receipts
--	-----	--------	----------	--	--	---	---------------------------

## Use of capital receipts for revenue purposes:

• Payments to the Government housing receipts pool						-	Capital Receipts Reserve
• Posting of HRA resources from revenue to the Major Repairs Reserve		29,424		(29,424)		-	
• Statutory revenue provisions for the financing of capital investment	12,623	3,240				(15,863)	Capital Adjustment Account
• Capital expenditure financed from revenue balances	13,762					(13,762)	

**Note 27: Adjustments between Accounting Basis and Funding Basis under Regulations (continued)**

2022/23	Usable Reserves						Corresponding Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Resaves	Major Repairs Reserves	Capital Grants Unapplied	Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
Adjustments to Capital Resources:							
● Use of the Capital Receipts Reserve to finance capital expenditure	-	-	31,050	-	-	(31,050)	Capital Adjustment Account
● Application of S. 106 Receipts to Finance new Capital	2,014	-				(2,014)	
● Use of the Major Repairs Reserve to finance capital expenditure				35,080		(35,080)	
● Application of capital grants to finance capital expenditure	21,138				8,292	(29,430)	
● Redress Capitalisation Scheme	7,340					(7,340)	Redress Capitalisation Directive Reserve
● Cash payments in relation to deferred capital receipts	(2)					2	Deferred Capital Receipts
Total Adjustments	(57,038)	30,241	11,047	5,656	5,476	4,618	

## Notes to the Accounts (General) (continued)

## Note 27: Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2021/22	Usable Reserves						Corresponding Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Resaves	Major Repairs Reserves	Capital Grants Unapplied	Unusable Reserves	
	£'000	£'000	£'000	£'000	£'000	£'000	
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	1,360	-	-	-	-	(1,360)	Financial Instruments Adjustment Account
• Pension costs	(37,314)	(3,146)	-	-	-	40,460	Pensions Reserve
• Council tax & business rates	16,251	-				(16,251)	Collection Fund Adjustment Account
• Holiday pay	(305)	(16)	-	-	-	321	Accumulated Absences Account
• Dedicated Schools Grant Deficit	(2,269)	-	-	-	-	2,269	Dedicated Schools Grant Adjustment
Reversal of entries in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
• Amortisation of intangible assets	(1,014)	-	-	-	-	1,014	Capital Adjustment Account
• Charges for depreciation and impairment	(66,884)	(5,475)				72,359	
• Revenue expenditure funded from capital under statute	(30,851)	-	-	-	-	30,851	
• Carrying amounts of non-current assets written off on disposal or sale	(4,563)	(6,700)	-	-	-	11,263	
• Capital grant income	1,260	5,163	-	-	(6,423)	-	
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	10,468	13,928	(24,396)	-	-	-	Deferred Capital Receipts
Use of capital receipts for revenue purposes:							
• Payments to the Government housing receipts pool	(3,336)	-	3,336	-	-	-	Capital Receipts Reserve
• Posting of HRA resources from revenue to the Major Repairs Reserve	-	30,683	-	(30,683)	-	-	Capital Adjustment Account
• Statutory revenue provisions for the financing of capital investment	10,488	3,191				(13,679)	
• Capital expenditure financed from revenue balances	2,682	367				(3,049)	
Adjustments to Capital Resources:							
• Use of the Capital Receipts Reserve to finance capital expenditure	-	-	9,900	-	-	(9,900)	Capital Adjustment Account
• Application of S. 106 Receipts to Finance new Capital	1,297	-	-	-	-	(1,297)	
• Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	25,027	-	(25,027)	
• Application of capital grants to finance capital expenditure	11,974	-	-	-	10,016	(21,990)	
• Redress Capitalisation Scheme	24,459	-	-	-	-	(24,459)	Redress Capitalisation Directive Reserve
• Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	Deferred Capital Receipts
Total Adjustments	(66,297)	37,995	(11,160)	(5,656)	3,593	41,525	

**Note 28a: Usable Reserves**

2021/22		2022/23
£'000		£'000
-	General Fund	(848)
(19,411)	LMS Balances	(17,507)
(141,461)	Earmarked Reserves – General Fund*	(130,111)
(21,688)	Earmarked Reserves - HRA	(18,050)
(17,896)	Housing Revenue Account	(8,798)
(53,726)	Capital Receipts Reserve	(42,679)
(59,612)	Capital Grants Unapplied Account	(54,136)
(5,656)	Major Repairs Reserve	-
<b>(319,450)</b>	<b>Total Usable Reserves</b>	<b>(272,129)</b>

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

**Note 28b: LMS Balance – Ring-fenced for the local management of schools**

2021/22		2022/23
£'000		£'000
<b>(17,487)</b>	<b>Balance at 01 April</b>	<b>(19,411)</b>
3,783	Overspent School Balances	6,879
(5,707)	Underspent School Balances	(4,975)
<b>(19,411)</b>	<b>Balance at 31 March</b>	<b>(17,507)</b>

**Note 28c: 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 2022/23.

	Balance at 31-March-2022	Transfers in	Transfers out	Balance at 31-March-2023
	£'000	£'000	£'000	£'000
<b>General Fund (GF) Reserves</b>				-
Earmarked Grants & Budget Carry-Forwards	(39,761)	(15,454)	11,525	(43,690)
Information and Communication Technology Investment	(2,330)	(500)	1,130	(1,700)
Insurance and Risk Management	(9,315)	-	2,286	(7,029)
Property and Assets	(21,376)	(1,613)	3,417	(19,572)
Transformation	(152)	-	133	(19)
Medium Term Financial Risk Reserve	(22,630)	-	11,879	(10,751)
Economic Cycle Resilience Reserve	(31,182)	(757)	1,230	(30,709)
CIL Reserve	(14,715)	(15,964)	14,038	(16,641)
<b>GF Sub-total</b>	<b>(141,461)</b>	<b>(34,288)</b>	<b>45,638</b>	<b>(130,111)</b>
<b>Housing Revenue Account (HRA) Reserves</b>				
Other earmarked reserves	(221)	(363)	-	(584)
Insurance and Risk Management	(7,235)	-	3,776	(3,459)
Property and Assets	(14,232)	-	225	(14,007)
<b>HRA Sub-total</b>	<b>(21,688)</b>	<b>(363)</b>	<b>4,001</b>	<b>(18,050)</b>
<b>Council Total</b>	<b>(163,149)</b>	<b>(34,651)</b>	<b>49,639</b>	<b>(148,161)</b>

Name	Purpose
Earmarked Grants and Budget Carry-Forwards reserves	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.
Information and Communication Technology Investment	Serve to fund the expenditure necessary on ICT projects as part of the council's continuing transformation
Insurance and Risk Management	Sets 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).
Property and Assets	Intended to support investment in the council's assets.
Transformation	To 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.
Medium Term Financial Risk Reserve	To support the council through future shortfalls in funding and challenges in balancing its budget over the medium term.
Economic Cycle Resilience Reserve	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.
CIL Reserve	Made up of Community Infrastructure Levy contributions to be used to fund future infrastructure related works.

## Notes to the Accounts (General) (continued)

**Note 28d: 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.

31-March-2022		31-March-2023
£'000		£'000
(42,567)	Balance brought forward 1 April	(53,726)
(24,396)	Capital receipts in year	(20,003)
	<b>Use of capital receipts in year</b>	
3,337	Payment to CLG – Contribution to pooled capital receipts	-
9,900	Financing of capital expenditure	31,050
(53,726)	Balance carried forward 31 March	(42,679)

**Note 28e: 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.

31-March-2022		31-March-2023
£'000		£'000
(63,204)	Balance brought forward 1 April	(59,612)
(6,424)	Grants transferred to the account in year	(2,816)
10,016	Grants applied to capital expenditure	8,292
(59,612)	Balance carried forward 31 March	(54,136)

**Note 28f: Major Repairs Reserve**

31-March-2022		31-March-2023
£'000		£'000
-	Balance brought forward	(5,656)
25,027	Debits to the MRR in respect of capital expenditure	35,080
(30,683)	Transfer from HRA equal to depreciation	(29,424)
(5,656)	<b>Total</b>	-

**Note 29: Unusable Reserves**

Adjustments between Accounting and Funding Basis 2022/23

2022/23	Adjustments between Accounting and Funding Basis						
Unusable Reserves	Opening Balance 1 April	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	Closing Balance 31 March
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(1,066,495)	(99,200)				25,928	(1,139,767)
Financial Instruments Adjustment Account	2,507		(1,007)				1,500
Pensions Reserve	550,632	(508,429)	34,250				76,453
Collection Fund Adjustment Account	8,732		(4,274)				4,458
Accumulated Absences Account	4,897						4,897
Capital Adjustment Account	(1,847,876)		110,186	(19,341)	(107,859)	(25,928)	(1,890,818)
Deferred Capital Receipts	(390)				2		(388)
Dedicated Schools Grant Adjustment Account	2,743						2,743
Redress Capitalisation Directive Reserve	7,340				(7,340)		-
<b>Total adjustments</b>	<b>(2,337,910)</b>	<b>(607,629)</b>	<b>139,155</b>	<b>(19,341)</b>	<b>(115,197)</b>	<b>-</b>	<b>(2,940,922)</b>

Adjustments between Accounting and Funding Basis 2022/23

2021/22	Adjustments between Accounting and Funding Basis						
Unusable Reserves	Opening Balance 1 April	Other Comprehensive Income and Expenditure	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	Closing Balance 31 March
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(914,060)	(165,756)	-	-	-	13,321	(1,066,495)
Financial Instruments Adjustment Account	3,867	-	(1,360)	-	-	-	2,507
Pensions Reserve	716,865	(206,693)	40,460	-	-	-	550,632
Collection Fund Adjustment Account	24,983	-	(16,251)	-	-	-	8,732
Accumulated Absences Account	4,576	-	321	-	-	-	4,897
Capital Adjustment Account	(1,875,099)	-	115,486	(16,727)	(58,215)	(13,321)	(1,847,876)
Deferred Capital Receipts	(390)	-	-	-	-	-	(390)
Dedicated Schools Grant Adjustment Account	474	-	2,269	-	-	-	2,743
Redress Capitalisation Directive Reserve	31,799	-	-	-	(24,459)	-	7,340
<b>Total adjustments</b>	<b>(2,006,985)</b>	<b>(372,449)</b>	<b>140,925</b>	<b>(16,727)</b>	<b>(82,674)</b>	<b>-</b>	<b>(2,337,910)</b>

## Notes to the Accounts (General) (continued)

### Note 29: Unusable Reserves (continued)

**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 27 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** - 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. The deficit in 2022/23 has arisen due to the government announcing business rates relief in response to the pandemic. These have been compensated by a section 31 grant funding and are held in Earmarked Reserves.

**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.

**Redress Capitalisation Directive Reserve** - 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 by this reserve. 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.



## NOTES TO THE CASH FLOW STATEMENT

## Note 30: Investing Activities

2021/22		2022/23
£'000		£'000
100,602	Purchase of property, plant and equipment, investment property and intangible assets	117,956
20,000	Purchase of short-term and long-term investments	50,000
30,369	Other payments for investing activities	34,210
(24,396)	Proceeds from the sale of property, plant and equipment and intangible assets	(20,006)
(10,000)	Proceeds from short-term and long-term investments	-
(19,700)	Other receipts from investing activities	(55,329)
<b>96,875</b>	<b>Net cash flows from investing activities</b>	<b>126,831</b>

## Note 31: Financing Activities

2021/22		2022/23
£'000		£'000
(80,000)	Cash receipts of short and long-term borrowing	(90,000)
(21,168)	Council Tax and NNDR adjustments	-
4,729	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,725
(186)	Other Investing Activities	18,991
<b>(96,625)</b>	<b>Net cash flows from investing activities</b>	<b>(66,284)</b>

## Note 32: Operating Activities (Interest)

The cash flows for operating activities include the following items

2021/22		2022/23
£'000		£'000
(2,129)	Interest received	(1,137)
35,154	Interest paid	28,667
<b>33,025</b>	<b>Total</b>	<b>27,530</b>

**Note 33: Cash and Cash Equivalents**

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

2021/22		2022/23
£'000		£'000
(19)	Cash held by the Authority	(147)
87,177	Bank current accounts in current assets	20,075
5,179	Short-term deposits with banks	190
<b>92,337</b>	<b>Total Cash and Cash Equivalents</b>	<b>20,118</b>

**Note 34: Reconciliation of Liabilities Arising from Financing Activities**

	Balance at 31-March-2022	Financing Cash Flows	Acquisition	Other non-cash changes	Balance at 31-March-2023
	£'000	£'000	£'000	£'000	£'000
Long-term borrowings	(721,658)	(31,008)	-	-	(752,666)
Short term borrowings	(17,090)	-	-	(40,484)	(57,574)
On balance sheet PFI liabilities	(86,009)	4,820	-	-	(81,189)
<b>Total liabilities from financing activities</b>	<b>(824,757)</b>	<b>(26,188)</b>	<b>-</b>	<b>(40,484)</b>	<b>(891,429)</b>

## SECTION – 5

### OTHER FINANCIAL STATEMENTS

Supplementary Financial Statements	Page Number
• <i>Housing Revenue Account (HRA) - Income and Expenditure Statement</i>	104
• <i>Statement on The Movement on The Housing Revenue Account</i>	105
• <i>Housing Revenue Account Notes</i>	106
• <i>Collection Fund Statement</i>	111
• <i>Notes to the Collection Fund</i>	113

## HOUSING REVENUE ACCOUNT (HRA) - 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.

2021/22		2022/23	
£'000		£'000	Note
	<b>Income</b>		
(137,139)	Dwelling rents	(141,627)	
(37,676)	Charges for services and facilities*	(36,550)	
(92)	Contributions Towards Expenditure	(613)	
(7,750)	PFI Credit	(7,729)	
<b>(182,657)</b>	<b>Total income</b>	<b>(186,519)</b>	
	<b>Expenditure</b>		
28,221	Repairs and maintenance	41,403	
89,336	Supervision and management	106,019	
2,143	Rents, rates, taxes and other charges	1,705	
1,900	Impairments on receivables	2,321	
30,683	Depreciation of property, plant and equipment	29,424	
(25,208)	Impairment / Revaluation (gain) / loss	(14,299)	
<b>127,075</b>	<b>Total expenditure</b>	<b>166,573</b>	
<b>(55,582)</b>	<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>	<b>(19,946)</b>	
587	HRA services share of Corporate and Democratic Core	655	
<b>(54,995)</b>	<b>Net cost of HRA Services</b>	<b>(19,291)</b>	
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
18,973	Interest payable and similar charges – other	18,251	
(7,356)	Gain or Loss on disposal	(12,599)	
(123)	Interest and investment income	(1,067)	
(5,163)	Capital Grants and Contributions - other	(2,799)	
<b>(48,664)</b>	<b>(Surplus) or deficit for the year on HRA Services</b>	<b>(17,505)</b>	

## STATEMENT ON THE MOVEMENT ON THE HOUSING REVENUE ACCOUNT

The objective of this statement is to reconcile the outturn from the HRA Income and Expenditure Statement to the surplus or deficit on the HRA Balance calculated in accordance with statutory requirements.

2021/22 £'000	Expenditure	2022/23 £'000
(10,970)	Balance on the HRA as at 1 April	(17,896)
(48,664)	(Surplus)/deficit for the year on the HRA Income and Expenditure Statement	(17,505)
37,995	Adjustments Between Accountancy Basis and Funding Basis under Statute	30,241
(10,669)	Net (increase)/decrease before transfers to/(from) reserves	12,736
3,743	Transfers to/(from) earmarked reserves	(3,638)
(6,926)	(Increase)/decrease in year on the HRA balance	9,098
(17,896)	HRA Balance at 31 March	(8,798)

## Note 35: Analysis of the movement on the HRA balance

2021/22 No.	Type of accommodation	2022/23 No.
	<b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year</b>	
-	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	
	<b>Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:</b>	
25,208	Impairments / Revaluation loss	14,299
5,163	Capital Grants and Contributions	2,799
(30,683)	Depreciation of non-current assets	(29,425)
(6,700)	Carrying amount of non-current assets disposed of	(6,722)
(16)	Mitigation of accumulated absences provision	-
6,049	Net charges made for retirement benefits in accordance with IAS 19	6,219
	<b>Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:</b>	
367	Capital expenditure financed from revenue balances	-
3,191	Minimum Revenue Provision	3,240
30,683	Transfer to Major Repairs Reserve	29,424
13,928	Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets	19,321
-	Transfer from Deferred Capital Receipts Reserve	-
(9,195)	Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	(8,914)
<b>37,995</b>	<b>Total Adjustments Between Accountancy Basis and Funding Basis under Statute</b>	<b>30,241</b>

**Note 36: Housing Stock**

Type of accommodation	31-March-2022	Movement	31-March-2023
	No.		No.
Flats	19,889	(42)	19,847
Houses	3,875	-	3,875
Multi-occupied	181	-	181
<b>Total</b>	<b>23,945</b>	<b>(42)</b>	<b>23,903</b>
Right to buy sales		(71)	
Rent to Mortgage Buy Backs*		29	
<b>Total</b>		<b>(42)</b>	

\* The above Housing stock includes buy backs within the analysis since these are used for the provision of housing. Buy backs are General fund assets.

**Note 37: HRA Assets**

2021/22		2022/23
£'000		£'000
2,416,876	Council dwellings	2,525,167
104,681	Other Land & Buildings	104,047
177	Community Assets	177
5,723	Surplus	4,087
-	- Assets held for sale	-
55	Vehicles, Plant & Equipment	495
745	Assets under Construction	9,012
-	- Intangibles	-
-	- Infrastructure	-
<b>2,528,257</b>	<b>Total</b>	<b>2,642,985</b>

**Note 38: Capital Expenditure, Financing and Receipts**

2021/22		2022/23
£'000		£'000
	<b>HRA capital expenditure</b>	
22,728	Works to dwellings	43,459
2,090	Other Land & Buildings	1,216
2	Vehicles, Plant & Equipment	446
-	Assets under construction	1,663
207	Infrastructure	-
<b>25,027</b>	<b>Total HRA capital expenditure</b>	<b>46,784</b>
	<b>Financing of capital expenditure</b>	
-	Borrowing	8,905
25,027	Major Repairs Reserve Less Decent Homes	35,080
-	Section 20	2,799
-	Reserves / Revenue	-
<b>25,027</b>	<b>Total financing of capital expenditure</b>	<b>46,784</b>



**Note 39: Depreciation and Impairment**

2021/22		2022/23
£'000		£'000
	<b>Depreciation charged to the HRA I&amp;E for the year</b>	
26,341	Operational assets	28,210
4,284	- dwellings	1,145
-	- other property	-
	Non-operational assets	
58	- dwellings	69
-	- other property	-
<b>30,683</b>	<b>Total Depreciation</b>	<b>29,424</b>
	<b>Impairments and revaluation losses charged to the HRA I&amp;E for the year</b>	
	<b>Operational assets</b>	
288	- dwellings	11,225
2,454	- other property	744
	Non-operational assets	
18	- dwellings	2
-	- other property	-
<b>2,760</b>	<b>Total Impairments and revaluation losses charged to the HRA I&amp;E for the year</b>	<b>11,971</b>
	<b>Revaluation / Impairment (gains) reversed in the HRA I&amp;E for the year</b>	
	<b>Operational assets</b>	
(27,016)	- dwellings	(26,268)
(952)	- other property	-
	Non-operational assets	
-	- dwellings	-
<b>(27,968)</b>	<b>Total Revaluation / Impairment (gains) reversed in the HRA I&amp;E for the year</b>	<b>(26,268)</b>
<b>(25,208)</b>	<b>Net Impairment</b>	<b>(14,297)</b>

## Notes to the Housing Revenue Account (continued)

**Note 40: Rent Arrears**

2021/22		2022/23
	<b>Rent arrears comprise:</b>	
19,894	Arrears as at 31st March	21,204
(7,538)	Impairment on receivables	(8,814)
<b>12,356</b>	<b>Collectable amount</b>	<b>12,390</b>

**Note 41: Vacant Possession Value**

The vacant possession value of dwellings within the HRA at 31 March 2022 was £10.100 bn (£9.579 bn at 31 March 2022) which has been reduced to £2.525 bn (£2.418 bn at 31 March 2022) to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents.

**Note 42: HRA Share of Contributions to the Pension Reserve**

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £8.91m in 2022/23 (charge of £9.19m in 2021/22), 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 STATEMENT

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.

2021/22				2022/23			Note
NNDR	Council Tax	Total		NNDR	Council Tax	Total	
£'000	£'000	£'000		£'000	£'000	£'000	
			<b>INCOME</b>				
	(180,167)	(180,167)	Council Tax receivable		(188,945)	(188,945)	
	(1,715)	(1,715)	Transfer for Transitional Relief, S13A Reliefs and discount for prompt payment		(317)	(317)	
(137,648)		(137,648)	Business Rates receivable	(157,126)		(157,126)	
-		-	Transitional Protection Payments Payable			-	
(4,063)		(4,063)	Business Rates Supplement	(4,878)		(4,878)	
<b>(141,711)</b>	<b>(181,882)</b>	<b>(323,593)</b>	<b>Total income</b>	<b>(162,004)</b>	<b>(189,262)</b>	<b>(351,267)</b>	
			<b>Expenditure</b>				
55,947	136,143	192,090	LB Lambeth	49,936	140,580	190,516	
61,542	-	61,542	Central Government	54,929		54,929	
69,002	40,320	109,322	Greater London Assembly (GLA)	61,587	43,974	105,561	
			<b>Business Rates Supplement</b>				
4,054	-	4,054	Payment to GLA	5,208		5,208	
9	-	9	Administrative Costs	8		8	
			<b>Charges to Collection Fund</b>				
378	1,193	1,571	Write-offs of uncollectable amounts	805	3,170	3,976	
381	800	1,181	Increase/(Decrease) in Impairment on receivables	(1,182)	1,421	239	
(9,920)		(9,920)	Increase/(Decrease) in Provision for Appeals	4,209		4,209	
40		40	Transitional Protection Payments	747		747	
-		-	Interest on Refunds	-		-	
5		5	Disregarded Amount	85		85	
503		503	Cost of Collection	497		497	
<b>181,941</b>	<b>178,456</b>	<b>360,397</b>	<b>Total expenditure</b>	<b>176,830</b>	<b>189,145</b>	<b>365,975</b>	
<b>40,230</b>	<b>(3,426)</b>	<b>36,804</b>	<b>(Surplus)/Deficit carried forward</b>	<b>14,826</b>	<b>(117)</b>	<b>14,708</b>	
84,636	(1,092)	83,544	Collection Fund (Surplus)/Deficit at 1 April	40,173	(4,357)	35,816	
(84,692)	162	(84,530)	Fund balance distributed in year	(37,244)	3,490	(33,754)	
40,230	(3,426)	36,804	(Surplus)/Deficit arising during the year	14,488	(118)	14,370	
<b>40,174</b>	<b>(4,356)</b>	<b>35,818</b>	<b>(Surplus)/Deficit carried forward</b>	<b>17,417</b>	<b>(985)</b>	<b>16,432</b>	
			<b>Analysis of Fund balance distributed in year:</b>				
(25,843)	126	(25,717)	LB Lambeth	(11,173)	2,693	(8,481)	
(27,755)	-	(27,755)	Central Government	(12,290)		(12,290)	
(31,094)	36	(31,058)	GLA	(13,780)	797	(12,983)	
<b>(84,692)</b>	<b>162</b>	<b>(84,530)</b>		<b>(37,244)</b>	<b>3,490</b>	<b>(33,754)</b>	

## 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	
	CTAX	£'000 NNDR	CTAX	£'000 NNDR	CTAX	£'000 NNDR	CTAX	£'000 NNDR
<b>Apportionment Basis</b>	100%	100%	N/A	33%	75%	30%	25%	37%
Arrears	55,834	17,497	N/A	5,774	42,099	5,249	13,735	6,474
Impairment on receivable	(26,621)	(1,599)	N/A	(528)	(20,072)	(480)	(6,549)	(592)
Appeals Provision	N/A	(7,631)	N/A	(2,518)	N/A	(2,289)	N/A	(2,823)
Overpayments & Pre-payments	(10,317)	(14,726)	N/A	(4,860)	(7,779)	(4,418)	(2,538)	(5,449)
(Surplus)/Deficit	(985)	17,417	N/A	5,748	(743)	5,225	(242)	6,444

## Notes to the Collection Fund

### Note 43: Council tax income

Council tax is charged on residential properties and is based on the value of the property. Each property falls into one of eight bands A-H based on estimated market values at 1 April 1991. During the annual budget setting process the Council determines the charge for its band D properties by dividing its budget requirement by the tax base. The council tax base is the total number of chargeable dwellings (adjusted for dwellings where discounts and exemptions apply). The tax for the other bands is calculated as a proportion of the band D tax.

For the year ended 31 March 2023, the band D council tax was set at £1,660.24 based upon a tax base of 111,161 (for 2021/22, £1,591.59 based upon a tax base of 110,872) and includes £395.59 requirement for the Greater London Authority (£363.66 in 2021/22). The table below shows the calculation of the Council Tax Base for 2022/23.

The table below shows the calculation of the Council Tax Base for 2022/23.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio	Band D equivalent dwellings
A	4,893	3,298	6 / 9	2,199
B	31,624	21,430	7 / 9	16,668
C	41,212	32,416	8 / 9	28,815
D	32,242	26,653	9 / 9	26,653
E	15,655	13,561	11 / 9	16,574
F	9,955	9,091	13 / 9	13,131
G	5,686	5,441	15 / 9	9,069
H	1,071	1,042	18 / 9	2,084
<b>Total</b>	<b>142,338</b>	<b>112,932</b>		<b>115,193</b>
Less Adjustment for collection rate				(4,032)
<b>Council Tax Base</b>				<b>111,161</b>

**Note 44: National Non-Domestic Rates**

National Non-Domestic Rates also known as business rates are based on the local rateable values of commercial properties multiplied by a uniform collection rate known as the multiplier after taking into account transitional arrangements. The rateable values are set by the Valuation Office Agency (VOA) and multiplier rates are set annually by Central Government. In 2022/23 the standard multiplier was set at 51.2p (51.2p in 2021/22) and the small business rate multiplier was set at 49.9p (49.9p in 2021/22). The total rateable value at the end of March 2023 was £426.1m (£421m on 31 March 2022).

The total business rates income is based on the 2022/23 estimated collection and the 2021/22 deficit. However, as this is determined before the end of 2021/22 an adjustment is required in 2022/23 to account for the difference between the estimated position and the actual position. This difference (surplus/deficit) is distributed/clawed back in the following financial year. In 2022-23 the NDR reported an in-year deficit of £14.49m. This was the direct result of lower-than-expected gross rates payable reflecting wider pressures faced by businesses from adverse economic conditions.

**Note 45: 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. Supplements are charged on commercial properties whose rateable value is more than £70,000 multiplied by the BRS multiplier which is 2p (unchanged from previous years). 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 the amounts required by statute to be credited to the Collection Fund after cost of collection and other adjustments and payments made to GLA.



## SECTION – 6

### GROUP ACCOUNTS

Group Accounts	Page Number
• <i>Group Comprehensive Income &amp; Expenditure Statement</i>	118
• <i>Group Movement in Reserves Statement</i>	119
• <i>Group Balance Sheet</i>	120
• <i>Group Cash Flow Statement</i>	121
• <i>G1. Group Accounting Policies</i>	122
• <i>G2. Group Property Plant &amp; Equipment</i>	122
• <i>G3. Reconciliation of Infrastructure assets to PPE</i>	125
• <i>G4. Group Unusable Reserves</i>	126
• <i>G5. Group Investing Activities</i>	127



## Group Accounts and Notes

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 include the following:

- Group Comprehensive Income & Expenditure Statement
- Group Movement in Reserves Statement
- Group Balance Sheet
- Group Cash Flow Statement
- Notes to the Group Accounts

## GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

118

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.

2021/22				2022/23			Note
£'000	£'000	£'000		£'000	£'000	£'000	
£'000	£'000	£'000		£'000	£'000	£'000	
217,364	(107,815)	109,549	Adults & Health	212,804	(108,037)	104,767	
14,714	(2,874)	11,840	Legal, Strategy & Communications	6,490	(153)	6,337	
392,850	(298,361)	94,489	Children's Services	418,205	(307,443)	110,762	
100,224	(339)	99,885	Corporate Items	40,588	(8,272)	32,316	
47,932	(32,433)	15,499	Finance & Investment	41,027	(17,259)	23,768	
-	-	-	Housing Services	69,318	(36,503)	32,815	
125,761	(182,513)	(56,752)	Housing Revenue Account	167,228	(186,503)	(19,275)	
389,815	(294,856)	94,959	Resident Services	340,481	(263,825)	76,656	
38,286	(27,301)	10,985	Sustainable Growth & Opportunity	30,695	(16,950)	13,745	
12,845	(3,345)	9,500	HFL Group	7,267	(3,562)	3,705	
<b>1,339,791</b>	<b>(949,837)</b>	<b>389,954</b>	<b>Cost of Services</b>	<b>1,334,103</b>	<b>(948,507)</b>	<b>385,596</b>	
		4,388	Levies			3,364	
		3,337	Payments to the Government Housing Capital Receipts Pool			-	
		(13,263)	(Gains)/losses on the Disposal of Non-Current Assets			13,176	
		103	Other Expenditure			27	
		<b>(5,435)</b>	<b>Other Operating (Income)/Expenditure</b>			<b>16,567</b>	
		34,986	Interest Payable and Similar Charges - other			36,732	
		14,749	Net interest on the net pensions liability			15,152	
		(735)	Investment Interest income			(501)	
		5,360	Impairments on Receivables			-	
		(1,349)	Impairment Losses / (Gains) on Investments			(996)	
		<b>53,011</b>	<b>Financing and investment income and expenditure</b>			<b>50,387</b>	7
		<b>(375,056)</b>	<b>Taxation and non-specific grant income and expenditure</b>			<b>(391,839)</b>	8
		<b>62,474</b>	<b>Group (SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>			<b>60,711</b>	
		(165,756)	Loss / (Gain) on revaluation of non-current assets			(99,200)	16
		(206,693)	Remeasurement of the net defined benefit liability			(508,429)	32
		<b>(372,449)</b>	<b>Other Comprehensive income and expenditure</b>			<b>(607,629)</b>	
		<b>(309,975)</b>	<b>Total Comprehensive income and expenditure</b>			<b>(546,918)</b>	

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. Where other lines differ from the London Borough of Lambeth (LBL) CIES, this is due to consolidation adjustments to remove the impact of transactions between LBL and HFL.

## GROUP MOVEMENT IN RESERVES STATEMENT

119

LAMBETH COUNCIL • ANNUAL ACCOUNTS 2022/23 • GROUP ACCOUNTS

2022/23	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	Subsidiary Reserves – HFL Group Limited	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2022 brought forward	(159,232)	(39,441)	(53,726)	(5,656)	(59,611)	(317,666)	(2,337,910)	(2,655,576)	20,572	(2,635,004)
Total Comprehensive Income and Expenditure	69,443	(17,505)	-	-	-	51,938	(607,629)	(555,691)	8,774	(546,917)
Adjustments between group accounts and authority accounts	(956)	17				(939)		(939)	(774)	(1,713)
Adjustments between accounting basis & funding basis under regulations	(52,280)	30,241	11,047	5,656	5,477	141	(141)	-	-	-
<b>(Increase)/Decrease in 2022/23</b>	<b>16,207</b>	<b>12,753</b>	<b>11,047</b>	<b>5,656</b>	<b>5,477</b>	<b>51,140</b>	<b>(607,770)</b>	<b>(556,630)</b>	<b>8,000</b>	<b>(548,630)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(143,025)</b>	<b>(26,688)</b>	<b>(42,679)</b>	<b>-</b>	<b>(54,134)</b>	<b>(266,526)</b>	<b>(2,945,680)</b>	<b>(3,212,206)</b>	<b>28,572</b>	<b>(3,183,634)</b>
<b>GF and HRA Balance analysed over</b>										
Earmarked reserves	(130,112)	(18,051)								
LMS (Schools) Balance	(17,507)									
Balances not earmarked	4,593	(8,636)								
<b>Balance at 31 March 2023</b>	<b>(143,026)</b>	<b>(26,687)</b>								

2021/22	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	Subsidiary Reserves – HFL Group Limited	Total Group Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2021 brought forward	(193,414)	(29,074)	(42,567)	-	(63,204)	(328,259)	(2,007,005)	(2,335,264)	2,191	(2,333,073)
Total Comprehensive Income and Expenditure	99,850	(48,663)	-	-	-	51,187	(372,449)	(321,262)	11,289	(309,973)
Adjustments between group accounts and authority accounts	629	302	-	-	-	931	20	951	7,093	8,044
Adjustments between accounting basis & funding basis under regulations	(66,296)	37,994	(11,159)	(5,656)	3,593	(41,524)	41,524	-	-	-
<b>(Increase)/Decrease in 2021/22</b>	<b>34,183</b>	<b>(10,367)</b>	<b>(11,159)</b>	<b>(5,656)</b>	<b>3,593</b>	<b>10,594</b>	<b>(330,905)</b>	<b>(320,311)</b>	<b>18,382</b>	<b>(301,929)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(159,231)</b>	<b>(39,441)</b>	<b>(53,726)</b>	<b>(5,656)</b>	<b>(59,611)</b>	<b>(317,665)</b>	<b>(2,337,910)</b>	<b>(2,655,575)</b>	<b>20,573</b>	<b>(2,635,002)</b>
<b>GF and HRA Balance analysed over</b>										
Earmarked reserves	(141,463)	(21,688)								
LMS (Schools) Balance	(19,410)	-								
Balances not earmarked	1,641	(17,752)								
<b>Balance at 31 March 2022</b>	<b>(159,232)</b>	<b>(39,440)</b>								

The Group Movement in Reserves Statement includes an extra column for the Subsidiary Reserves for HFL Group Limited.

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 2019/20.

## 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-2022		31-March-2023	
£'000		£'000	Note
4,037,668	Property, Plant & Equipment	4,174,915	12a, 12b
2,517	Heritage Assets	2,549	12g
4,982	Intangible Assets	6,166	12c
35,645	Long Term Investments	36,641	13a
743	Long-Term Debtors	733	13a
<b>4,081,555</b>	<b>Total Long-term Assets</b>	<b>4,221,004</b>	
-	Assets Held for Sale (within one year)		12f
43	Inventories	77	
206,217	Short term debtors	201,628	14
12,061	Short Term Investments	22,468	13a
94,680	Cash and Cash Equivalents	24,345	
-	Current tax Asset	300	33
<b>313,001</b>	<b>Current Assets</b>	<b>248,818</b>	
(17,090)	Short-term Borrowing	(57,574)	24
(192,063)	Short-term Creditors	(181,139)	29
(42,410)	Short-term Provisions	(26,150)	30
(70,208)	Grants Receipts in Advance – Revenue	(26,810)	
(46,512)	Grants Receipts in Advance – Capital	(54,900)	
<b>(368,283)</b>	<b>Current Liabilities</b>	<b>(346,573)</b>	
(81,095)	Long Term Creditors	(75,831)	13a
(7,814)	Provisions	(6,814)	30
(721,587)	Long Term Borrowing	(752,666)	
(550,632)	IAS19 Net Pension Liability	(76,453)	
(30,144)	Grants Receipts in Advance - Capital	(27,851)	31
<b>(1,391,272)</b>	<b>Long-term Liabilities</b>	<b>(939,615)</b>	
<b>2,635,001</b>	<b>Net Assets</b>	<b>3,183,634</b>	
(317,666)	Total Usable Reserves	(266,527)	
(2,337,910)	Total Unusable Reserves	(2,945,678)	16
<b>(2,655,576)</b>	<b>Total authority reserves</b>		
20,572	HfL Group Limited reserves	28,572	
<b>(2,635,004)</b>	<b>Total Reserves</b>	<b>(3,183,633)</b>	

## GROUP CASH FLOW STATEMENT

The **Cash Flow Statement** shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the 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.

2021/22		2022/23	
£'000		£'000	Note
<b>62,474</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>60,711</b>	
	<i>Adjust net surplus or deficit on the provision of services for non-cash movements</i>		
(58,025)	Depreciation and amortisation	(59,070)	
(15,652)	Impairment and revaluations	(303)	
1,349	Impairment (loss)/gain on investments	996	
3,652	(Increase)/Decrease in Creditors	54,108	
20,431	Increase/(Decrease) in Debtors	(4,983)	
(10)	Increase/(Decrease) in Inventories	34	
(821)	Other adjustments	(608)	
15	Increase/(Decrease) in Accrued Investment Income		
(40,460)	Pension Liability	(34,250)	
21,083	Contributions (to)/from Provisions	17,259	
(11,263)	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(33,179)	
<b>(79,701)</b>		<b>(59,996)</b>	
	<i>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</i>		
19,695	Capital Grants credited to surplus or deficit on the provision of services	(3,748)	
24,396	Proceeds from the sale of property plant and equipment, investment property and intangible as	20,003	
<b>44,091</b>		<b>16,255</b>	
<b>26,864</b>	<b>Net Cash Flows from Operating Activities</b>	<b>16,970</b>	
81,292	Investing Activities	119,649	
(96,624)	Financing Activities	(66,284)	
11,532	<b>Net (increase) or decrease in cash and cash equivalents</b>	70,335	
83,148	Cash and cash equivalents at the beginning of the reporting period	94,680	
<b>94,680</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>24,345</b>	

### G1. 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). The method of preparation of Group Accounts involves combining figures from Lambeth's single entity 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.

### G2. Group Property Plant & Equipment

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 in the following columns:

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

**G2. Group Property, Plant and Equipment (continued)**

Balances as at 31-March-2023	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,537,675	1,333,460	121,065	10,154	38,101	82,779	4,123,234
Accumulated Depreciation	(8,807)	(4,693)	(88,127)	-	(146)	-	(101,773)
<b>Carrying Amount</b>	<b>2,528,868</b>	<b>1,328,767</b>	<b>32,938</b>	<b>10,154</b>	<b>37,955</b>	<b>82,779</b>	<b>4,021,461</b>
Owned	2,484,788	1,270,898	32,938	9,975	37,956	82,779	3,919,334
PFI	44,081	57,869	-	177	-	-	102,127
<b>Carrying Amount</b>	<b>2,528,869</b>	<b>1,328,767</b>	<b>32,938</b>	<b>10,152</b>	<b>37,956</b>	<b>82,779</b>	<b>4,021,461</b>

Balances as at 31-March-2023	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

**Movements in Carrying Amount**

<b>At 1 April 2022</b>	<b>2,417,872</b>	<b>1,279,229</b>	<b>26,784</b>	<b>150,282</b>	<b>9,449</b>	<b>46,997</b>	<b>107,054</b>	<b>4,037,667</b>
Reclassifications	2,526	45,749	88	-	-	(7,222)	(41,141)	-
Additions	43,378	43,018	11,147	13,907	678	126	17,008	129,262
Revaluation gains/(losses) recognised in the revaluation reserve	87,642	20,322	-	-	27	(90)	-	107,901
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	13,487	(9,152)	-	-	-	(404)	-	3,931
Depreciation	(28,210)	(13,244)	(4,716)	(10,735)	-	(637)	-	(57,542)
Impairments recognised in the revaluation reserve	(271)	(8,353)	-	-	-	(79)	-	(8,703)
Impairments recognised in the surplus / deficit on the provision of services	(834)	(2,355)	(175)	-	-	(727)	(142)	(4,233)
Disposals and Decommissioning	(6,722)	(26,449)	(190)	-	-	(8)	(1)	(33,370)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>2,528,868</b>	<b>1,328,765</b>	<b>32,938</b>	<b>153,454</b>	<b>10,154</b>	<b>37,956</b>	<b>82,778</b>	<b>4,174,913</b>

**G2. Group Property, Plant and Equipment (continued)**

Balances as at 31-March-2022	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation	2,426,722	1,281,810	110,583	9,449	47,158	107,055	3,982,777
Accumulated Depreciation	(8,849)	(2,581)	(83,799)	-	(162)	-	(95,391)
<b>Carrying Amount</b>	<b>2,417,873</b>	<b>1,279,229</b>	<b>26,784</b>	<b>9,449</b>	<b>46,996</b>	<b>107,055</b>	<b>3,887,386</b>
Owned	2,376,137	1,222,999	26,784	9,272	46,996	107,055	3,789,243
PFI	41,736	56,230	-	177	-	-	98,143
<b>Carrying Amount</b>	<b>2,417,873</b>	<b>1,279,229</b>	<b>26,784</b>	<b>9,449</b>	<b>46,996</b>	<b>107,055</b>	<b>3,887,386</b>

Balances as at 31-March-2022	Council dwellings	Other land and buildings	Vehicles, plant and equipment	Infrastructure assets	Community assets	Surplus assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

**Movements in Carrying Amount**

<b>At 1 April 2021</b>	<b>2,257,821</b>	<b>1,214,534</b>	<b>37,116</b>	<b>153,678</b>	<b>8,955</b>	<b>75,137</b>	<b>98,508</b>	<b>3,845,749</b>
Reclassifications	18,880	4,898	(16,751)	(2,067)	-	(8,389)	3,429	-
Additions	22,729	36,122	12,614	9,382	482	4,810	23,916	110,055
Revaluation gains/(losses) recognised in the revaluation reserve	122,710	50,877	85	-	12	(19,339)	14,838	169,183
Revaluation gains/(losses) recognised in the surplus / deficit on the provision of services	26,736	(6,220)	-	-	-	(3,529)	(31,800)	(14,813)
Depreciation	(26,342)	(12,786)	(6,280)	(10,711)	-	(924)	(560)	(57,603)
Impairments recognised in the revaluation reserve	(76)	(2,339)	-	-	-	429	(887)	(2,873)
Impairments recognised in the surplus / deficit on the provision of services	(8)	(581)	-	-	-	(429)	(53)	(1,071)
Disposals and Decommissioning	(4,578)	(5,275)	-	-	-	(769)	(337)	(10,959)
Assets reclassified (to) / from Held for Sale	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>2,417,872</b>	<b>1,279,230</b>	<b>26,784</b>	<b>150,282</b>	<b>9,449</b>	<b>46,997</b>	<b>107,054</b>	<b>4,037,668</b>



**G3. Reconciliation of Infrastructure assets to PPE**

2021/22		2022/23
£'000	Reconciliation of infrastructure assets to PPE	£'000
	Infrastructure assets	
138,150	<i>Owned</i>	141,756
12,132	<i>PFI</i>	11,698
	Other PPE Assets	
3,789,243	<i>Owned</i>	3,919,335
98,143	<i>PFI</i>	102,126
<b>4,037,668</b>		<b>4,174,915</b>

Infrastructure assets are measured on a depreciated historical cost basis. However, the accounting rules that applied before 1 April 1994 mean that the carrying amount only reliably includes expenditure of acquisition and enhancement incurred after this date. Expenditure incurred before this date is only included to the extent that it had not been financed before the end of the 1993/94 financial year.

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. All replaced infrastructure components are determined to have fully depreciated and have a net amount of nil.

**G4. Group Unusable Reserves****Adjustments between Accounting and Funding Basis 2022/23**

Unusable Reserve	Opening Balance 01-April-2022	Other Comprehensive Income and Expenditure (CIES) 2022/23	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	Opening Balance 31-March-2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(1,066,495)	(99,200)				25,928	(1,139,767)
Financial Instruments Adjustment Account	2,507		(1,007)				1,500
Pensions Reserve	550,632	(508,429)	34,250				76,453
Collection Fund Adjustment Account	8,732		(4,274)				4,458
Accumulated Absences Account	4,896						4,896
Capital Adjustment Account	(1,847,876)		105,431	(19,341)	(107,859)	(25,928)	(1,895,573)
Deferred Capital Receipts	(390)				2		(388)
Dedicated Schools Grant Adjustment Account	2,743						2,743
Redress Capitalisation Directive Reserve	7,340				(7,340)		-
<b>Total</b>	<b>(2,337,911)</b>	<b>(607,629)</b>	<b>134,400</b>	<b>(19,341)</b>	<b>(115,197)</b>	<b>-</b>	<b>(2,945,678)</b>

**Adjustments between Accounting and Funding Basis 2021/22**

Unusable Reserve	Opening Balance 01-April-2021	Other Comprehensive Income and Expenditure (CIES) 2022/23	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements	Opening Balance 31-March-2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation Reserve	(914,060)	(165,756)	-	-	-	13,321	(1,066,495)
Financial Instruments Adjustment Account	3,867	-	(1,360)	-	-	-	2,507
Pensions Reserve	716,865	(206,693)	40,460	-	-	-	550,632
Collection Fund Adjustment Account	24,983	-	(16,251)	-	-	-	8,732
Accumulated Absences Account	4,576	-	321	-	-	-	4,897
Capital Adjustment Account	(1,875,119)	-	115,506	(16,727)	(58,215)	(13,321)	(1,847,876)
Deferred Capital Receipts	(390)	-	-	-	-	-	(390)
Dedicated Schools Grant Adjustment Account	474	-	2,269	-	-	-	2,743
Redress Capitalisation Directive Reserve	31,799	-	-	-	(24,459)	-	7,340
<b>Total</b>	<b>(2,007,005)</b>	<b>(372,449)</b>	<b>140,945</b>	<b>(16,727)</b>	<b>(82,674)</b>	<b>-</b>	<b>(2,337,910)</b>

**G5. Group Investing Activities**

2021/22		2022/23
£'000		£'000
115,382	Purchase of property, plant and equipment, investment property and intangible assets	131,994
20,000	Purchase of short-term and long-term investments	50,000
6	Other payments for investing activities	-
(24,396)	Proceeds from the sale of property, plant and equipment and intangible assets	(20,006)
(10,000)	Proceeds from short-term and long-term investments	-
(19,700)	Other receipts from investing activities	(42,339)
<b>81,292</b>	<b>Net cash flows from investing activities</b>	<b>119,649</b>

**G6. Group Financing Activities**

2021/22		2022/23
£'000		£'000
(80,000)	Cash receipts of short and long-term borrowing	(90,000)
(21,168)	Council Tax and NNDR adjustments	-
4,729	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,725
(186)	Repayments of short- and long-term borrowing	18,991
<b>(96,625)</b>	<b>Net cash flows from financing activities</b>	<b>(66,284)</b>

PENSION FUND ACCOUNTS AND NOTES



## PENSION FUND ACCOUNTS AND NOTES

Pension Fund Accounts and Notes	Page Number
• Fund Account and Net Assets Statement	130
• PEN - 1: Description of the Fund	132
• PEN - 2: Basis of Preparation	134
• PEN - 3: Summary of Significant Accounting Policies	134
• PEN - 4: Critical Judgements in Applying Accounting Policies	138
• PEN - 5: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty	139
• PEN - 6: Events after the Reporting Date	139
• PEN - 7: Contributions Receivable	140
• PEN - 8: Transfers in from Other Pension Funds	140
• PEN - 9: Benefits Payable	141
• PEN - 10: Payments to and on Account of Leavers	141
• PEN - 11: Management Expenses	141
• PEN - 11a: Investment Management Expenses	142
• PEN - 12: Investment Income	143
• PEN - 13a: Taxes on Income	143
• PEN - 13b: External Audit Costs	143
• PEN - 14: Investments Assets	144
• PEN - 14a: Reconciliation of Movements in Investments	145
• PEN - 14b: Analysis of Investments	146
• PEN - 14c: Investments Analysed by Fund Manager	147
• PEN - 15a: Fair Value Hierarchy	149
• PEN - 15b: Reconciliation of Fair Value Measurements within Level 3	150
• PEN - 16a: Classification of Financial Instruments	151
• PEN - 17: Nature and Extent of Risks Arising from Financial Instruments	152
• PEN - 18: Funding Arrangements	159
• PEN - 19: Actuarial Present Value of Promised Retirement Benefits	160
• PEN - 20: Current Assets	161
• PEN - 21: Current Liabilities	161
• PEN - 22: Additional Voluntary Contributions	161
• PEN - 23: Related Party Transactions	162
• PEN - 24: Contingent Liabilities and Contractual Commitments	162
• PEN - 25: Contingent Assets	162

## FUND ACCOUNT AND NET ASSETS STATEMENT

2021/22		2022/23	Note
£'000	Fund Account	£'000	
	Dealing with members, employers and others directly involved in the fund:		
(55,733)	Contributions	(56,971)	7
(2,648)	Transfers in from other pension funds	(7,250)	8
<b>(58,381)</b>	<b>Sub-Total</b>	<b>(64,221)</b>	
59,491	Benefits	67,179	9
6,441	Payments to and on account of leavers	8,331	10
<b>65,932</b>	<b>Sub-Total</b>	<b>75,510</b>	
7,551	Net (additions)/withdrawals from dealing with members.	11,289	
9,850	Management expenses	9,185	11
<b>17,401</b>	<b>Net additions/withdrawals including fund management expenses</b>	<b>20,474</b>	
	Returns on investments:		
(44,539)	Investment Income	(40,028)	12
-	Tax on Income	-	13a
(26,912)	Profit and loss on disposal of investments and changes in the market value of investments	163,036	14a
<b>(71,451)</b>	<b>Net return on investments</b>	<b>123,008</b>	
(54,050)	Net decrease /(increase) in the net assets available for benefits during the year	143,482	
(1,787,746)	Opening net assets of the scheme	(1,841,796)	
<b>(1,841,796)</b>	<b>Closing net assets of the scheme</b>	<b>(1,698,314)</b>	

## FUND ACCOUNT AND NET ASSETS STATEMENT

131

2021/22		2022/23	Note
£'000	Net Assets Statement	£'000	
1,738,133	Investment assets	1,637,048	14
-	Cash deposits	-	14
<b>1,738,133</b>	<b>Total Investment Assets</b>	<b>1,637,048</b>	
105,006	Current Assets	61,267	20
(1,342)	Current Liabilities	-	21
<b>1,841,797</b>	<b>Net assets of the fund available to fund benefits at the period end</b>	<b>1,698,315</b>	

## Notes to the Pension Fund

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

### PEN - 1: Description of the Fund

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

The following description of the Fund is a summary only. For further information, reference should be made to the Lambeth Pension Fund Annual Report 2022/23 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).

#### General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

- The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- 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 the council and a range of other scheduled and admitted bodies within the borough.

The Fund is overseen by the Pensions Committee, a statutory committee of Lambeth Council with authority to discharge the council's functions in relation to the pension fund.

#### Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join and 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 via an admission agreement. Admitted bodies include voluntary and charitable bodies or private contractors undertaking an outsourced local authority function.



## Notes to the Pension Fund (continued)

## PEN - 1: Description of the Fund (continued)

There are 28 employer organisations within the Fund including Lambeth Council itself, although only 27 have active members as set out in the following table.

Lambeth Pension Fund	31-March-2023	31-March-2022
<b>Number of employers with active members</b>	<b>31</b>	<b>27</b>
<b>Number of employees in scheme:</b>		
Lambeth council	4,337	4,587
Other employers	538	366
<b>Total</b>	<b>4,875</b>	<b>4,953</b>
<b>Number of Deferred pensioners:</b>		
Lambeth council	8,069	8,385
Other employers	354	232
<b>Total</b>	<b>8,423</b>	<b>8,617</b>
<b>Number of pensioners:</b>		
Lambeth council	8,142	7,741
Other employers	77	65
<b>Total</b>	<b>8,219</b>	<b>7,806</b>
<b>Total number of members in pension scheme</b>	<b>21,517</b>	<b>21,376</b>

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the Regulations and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2019. Currently, employer contribution rates range from 0% to 51.4% of pensionable pay.

Benefits

For each year of LGPS membership built up prior to 1 April 2014, Fund members receive a pension based on the appropriate accrual rate of their final pay summarised as follows.

	Service pre 1 April 2008	Service post 1 April 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. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay each year at an accrual rate of 1/49th. Accrued pension benefits are updated annually in line with the Consumer Price Index.

## Notes to the Pension Fund (continued)

### PEN - 1: Description of the Fund (continued)

There are a range of other benefits provided under the Scheme including early retirement, ill health pensions and death benefits. For more details, please refer to the Lambeth Pension Fund Scheme handbook which is available on the Lambeth Pension Fund website at the following link:

<https://www.lgpslambeth.org/resources/a-brief-guide-to-the-lgps-for-employees/>

### PEN - 2: Basis of Preparation

The statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"), 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 the disclosure of any accounting standards issued but not yet adopted; there are no changes accounting requirements for 2022/23.

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

### PEN - 3: Summary of Significant Accounting Policies

#### Fund Account – revenue recognition

#### a. *Contribution income*

Normal contributions, both from members and employers, 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 scheme actuary. Employee contributions are based on the Regulations 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 on a cash basis 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 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.

## Notes to the Pension Fund (continued)

### PEN - 3: Summary of Significant Accounting Policies (continued)

#### 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 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 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 costs relating to administration, oversight and governance, and managing investments. However, in the interests of greater transparency, the Fund discloses its total pension fund management expenses in note 11 in accordance with the CIPFA guidance on Accounting for Local Government Pension Scheme Management Expenses (2016).

##### *Administrative expenses*

Administration expenses include those related to activities performed to administer benefits to members, interactions with scheme employers, and staffing and IT costs. All administration expenses are accounted for on an accruals basis. All staff costs of the pension administration team are charged directly to the Fund as well as a proportion of staff costs relating to the investment management team. associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

##### *Oversight and governance costs*

Oversight and governance expenses include costs relating to the selection, appointment and monitoring of external fund managers, investment advisory services, any costs of compliance to salutatory reporting, legal costs, and audit fees. All oversight and governance expenses are accounted for on an accruals basis and charged directly to the Fund.

##### *Investment management expenses*

All investment management expenses are accounted for on an accruals basis. Fees of the external fund 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 those investments change.

## Notes to the Pension Fund (continued)

### PEN - 3: Summary of Significant Accounting Policies (continued)

#### *Investment management expenses (continued)*

Investment management expenses deducted at source (which would have been netted off investment income or asset sales) are accounted for by grossing up investment sales; this has the effect of increasing the change in value of investments reported in the Fund Account and the investment reconciliation table in Note 14a, though the closing value of investments as reported in the Net Assets Statement is unaffected. This treatment is in line with the CIPFA Guidance on Accounting for Local Government Pension Scheme Management Expenses 2016.

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of the mandate as at the end of the year is used for inclusion in the Fund Account. In 2022/23 £0.0m fees were included in the accounts based on such estimates (2021/22: £0.0m).

#### Net Assets Statement

##### g) *Financial assets*

Investments are shown at fair value, as at the reporting date. Debtors and cash are accounted for 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 value 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 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 Fund 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.

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 valuations of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines.

##### *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.

**PEN - 3: Summary of Significant Accounting Policies (continued)****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 currencies, the market value 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. The fund recognises financial liabilities relating to investment trading at fair value and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid is accounted for on an accruals basis and included in administration costs.

**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 contribution (AVC) scheme for its members, the assets of which are invested separately from those of the 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 detailing the value of their contributions and any movements in the year.

AVCs are not included in the statement of accounts in accordance with the Regulations but are disclosed separately in the notes to the accounts (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 Assets Statement but are disclosed by way of narrative in notes 24 and 25.

**PEN - 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 variables. Common judgements used include comparing revenue or earnings multiples to public comparable entities and prices of recent transactions. Valuations are also 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 Private Equity and Venture Capital Association. The value of unquoted private equities at 31 March 2023 was £60.2m (31 March 2022 was £74.9m).

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.

**PEN - 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 value of assets and liabilities reported at the balance sheet date as well as the amounts reported for revenue and expenses incurred during the year. Estimates and assumptions consider 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 as at 31 March 2022 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 several 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 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of approximately £28m. A 0.1% increase in assumed earnings inflation would increase the value of liabilities by approximately £27m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £70m.
Private equity (Note 14)	Private equity investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines. These investments are not publicly listed and as such, there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2023 is £60.2m.	The total (called) private equity investment in the financial statements is £60.2m. There is a risk that this investment may be under- or overstated in the accounts by up to £14m as a result of market volatility i.e., interest rate, inflation rate. 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).	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 15.3% i.e. an increase or decrease of £26.0m, on carrying values of £167m.
Hedge fund of funds (Note 14)	Fund of funds are 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 publicly 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 £0.05m. The funds Investment Advisor reports that, given this represents a small residual amount from a redemption, the risk of estimation error involved in the valuation is not material to the Fund.

**PEN - 6: Events after the Reporting Date**

There have been no events since 31 March 2023, up to the date when these accounts were authorised that require any adjustments to these accounts.

**PEN - 7: Contributions Receivable**

2021/22	Category	2022/23
£'000		£'000
11,092	Employees	11,707
	<b>Employers:</b>	
32,142	Normal contributions	32,764
12,500	Deficit recovery contributions	12,500
-	Augmentation contributions	-
44,642	Total employer contributions	45,264
<b>55,734</b>	<b>Total employer contributions</b>	<b>56,971</b>

2021/22	Type of employer	2022/23
£'000		£'000
51,777	Administering authority	52,916
3,535	Scheduled bodies	515
34	Admitted bodies	3,540
352	Community admission body	-
34	Transferee admission body	-
<b>55,732</b>	<b>Total</b>	<b>56,971</b>

**PEN - 8: Transfers in from Other Pension Funds**

2021/22	Type of employer	2022/23
£'000		£'000
2,648	Individual transfer	7,250
<b>2,648</b>	<b>Total</b>	<b>7,250</b>



**PEN - 9: Benefits Payable**

2021/22	Category	2022/23
£'000		£'000
50,604	Pensions	55,157
6,926	Commutation and lump sum retirement benefits	10,176
1,962	Lump sum death benefits	1,846
<b>59,492</b>	<b>Total</b>	<b>67,179</b>

2021/22	Authority	2022/23
£'000		£'000
59,375	Administering authority	66,956
117	Scheduled bodies	159
-	Admitted bodies	63
-		
<b>59,492</b>	<b>Total</b>	<b>67,178</b>

**PEN - 10: Payments to and on Account of Leavers**

2021/22		2022/23
£'000		£'000
151	Refund to members leaving service	179
6,290	Individual transfers	8,152
<b>6,441</b>	<b>Total</b>	<b>8,331</b>

**PEN - 11: Management Expenses**

2021/22	Category	2022/23
£'000		£'000
1,724	Administrative costs	1,430
7,689	Investment management expenses	7,259
436	Oversight and governance costs	497
<b>9,849</b>	<b>Total</b>	<b>9,186</b>

The 2022/23 the Fund paid £1.4m in staffing costs. This disclosure is as per CIPFA guidance, and further details concerning key management personnel are included within the Annual Report.

## Notes to the Pension Fund (continued)

## PEN - 11a: Investment Management Expenses

2022/23	Total	Management fees	Transaction costs
	£'000	£'000	£'000
Bonds	176	176	-
Equities	-	-	-
Pooled investments	3,094	3,094	-
Pooled property investments	1,265	1,265	-
Private equity	382	382	-
Multi Asset Credit	1,502	1,502	-
Private Debt	840	840	-
<b>Subtotal</b>	<b>7,259</b>	<b>7,259</b>	<b>-</b>
Custody Costs	25		
<b>Total</b>	<b>7,284</b>		

  

2021/22	Total	Management fees	Transaction costs
	£'000	£'000	£'000
Bonds	181	181	-
Equities	-	-	-
Pooled investments	3,660	3,660	-
Pooled property investments	1,222	1,222	-
Private equity	422	422	-
Multi Asset Credit	1,776	1,776	-
Private Debt	396	396	-
<b>Subtotal</b>	<b>7,657</b>	<b>7,657</b>	<b>-</b>
Custody Costs	33		
<b>Total</b>	<b>7,690</b>		

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 £7.3m (2021-22 £7.7m) of which only £0.058m was invoiced and the remainder deducted at source by fund managers.

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).

**PEN - 12: Investment Income**

2021/22		2022/23
£'000		£'000
-	Fixed interest securities	5
24,599	Private equity income	10,388
3,593	Pooled property investments	3,420
5,078	Pooled investments - unit trust and other managed funds	6,331
7,925	MAC Fund	8,668
3,219	Private Debt	9,820
7	Interest on cash deposits	1,350
119	Other	47
<b>44,540</b>	<b>Total</b>	<b>40,029</b>

**PEN - 13a: Taxes on Income**

2021/22		2022/23
£'000		£'000
-	Tax - equities	-
-	<b>Total</b>	<b>-</b>

**PEN - 13b: External Audit Costs**

2021/22		2022/23
£'000		£'000
19	Payable in respect of external audit	19
<b>19</b>	<b>Total</b>	<b>19</b>

## PEN - 14: Investments Assets

2021/22		2022/23
£'000		£'000
	<b>Bonds</b>	
281,162	Fixed interest securities	193,332
	<b>Equities</b>	
772,946	Pooled investments	731,053
	<b>Other investments</b>	
170,178	Pooled property investments	167,218
75,238	Private equity	60,233
358,666	Multi Asset Credit	351,193
79,757	Private Debt	133,837
<b>683,839</b>	<b>Subtotal</b>	<b>712,481</b>
150	London CIV	150
36	Cash Instruments	32
<b>186</b>	<b>Subtotal</b>	<b>182</b>
<b>1,738,133</b>	<b>Total Investment assets</b>	<b>1,637,048</b>

## PEN - 14a: Reconciliation of Movements in Investments

Movement in Earmarked reserves	Market value 1 April 2022	Purchases during the year	Transfers In	Sales during the year	Transfers Out	Change in cash	Change in market value	Market value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	281,162	242,246	-	(242,405)	-	-	(87,671)	193,332
Pooled investments	772,946	278,421	-	(275,293)	-	-	(45,021)	731,053
Pooled property investments	170,178	-	-	(1,265)	-	-	(1,695)	167,218
Private equity	75,238	1,376	-	(382)	-	-	(15,999)	60,233
Multi Asset Credit	358,666	8,668	-	(1,502)	-	-	(14,639)	351,193
Private Debt	79,757	53,710	-	(840)	-	-	1,211	133,838
London CIV	150	-	-	-	-	-	-	150
Cash Instruments	36	-	-	-	-	-	-	36
<b>Subtotal</b>	<b>1,738,133</b>	<b>584,421</b>	<b>-</b>	<b>(521,687)</b>	<b>-</b>	<b>-</b>	<b>(163,814)</b>	<b>1,637,053</b>
Unrealised gain/(loss) in currency	1,403	-	-	-	-	-	779	2,182
<b>Total</b>	<b>1,739,536</b>	<b>584,421</b>	<b>-</b>	<b>(521,687)</b>	<b>-</b>	<b>-</b>	<b>(163,035)</b>	<b>1,639,235</b>

Movement in Earmarked reserves	Market value 1 April 2021	Purchases during the year	Transfers In	Sales during the year	Transfers Out	Change in cash	Change in market value	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	222,409	70,135	-	(25,314)	-	-	13,933	281,163
Pooled investments	916,792	5,073	-	(146,660)	-	-	(2,260)	772,945
Pooled property investments	159,115	-	-	(1,222)	-	-	12,285	170,178
Private equity	72,508	3,285	-	(422)	-	-	(132)	75,239
Multi Asset Credit	352,080	7,925	-	(1,776)	-	-	436	358,665
Private Debt	46,175	33,589	-	(2,135)	-	-	2,127	79,756
London CIV	150	-	-	-	-	-	-	150
Cash Instruments	34	-	53	-	-	(50)	-	37
<b>Subtotal</b>	<b>1,769,263</b>	<b>120,007</b>	<b>53</b>	<b>(177,529)</b>	<b>-</b>	<b>(50)</b>	<b>26,389</b>	<b>1,738,133</b>
Unrealised gain/(loss) in currency	880	-	-	-	-	-	523	1,403
<b>Total</b>	<b>1,770,143</b>	<b>120,007</b>	<b>53</b>	<b>(177,529)</b>	<b>-</b>	<b>(50)</b>	<b>26,912</b>	<b>1,739,536</b>

## PEN - 14b: Analysis of Investments

31-March-2022		31-March-2023
£'000		£'000
	<b>Bonds</b>	
	- UK	
<b>281,162</b>	<b>- Corporate quoted</b>	<b>193,332</b>
	Pooled funds - additional analysis	
	<b>- Overseas</b>	
772,813	- Unit trusts quoted	731,001
133	- Hedge fund of funds unquoted	52
45,867	Pooled property investments UK unquoted	46,130
124,311	Pooled property investments Overseas unquoted	121,088
75,238	Private equity unquoted	60,233
358,666	Multi Asset Credit Overseas quoted	351,193
79,757	Private Debt Overseas quoted	133,837
150	London CIV	150
36	Cash Instrument	32
<b>1,738,133</b>	<b>Total investment assets</b>	<b>1,637,048</b>

**PEN - 14c: Investments Analysed by Fund Manager**

	Market Value 31-March-2022	% of Fund	Market Value 31-March-2023	% of Fund
	£'000		£'000	
Adam Street	75,238	4.3	60,233	3.7
Invesco	170,134	9.8	167,174	10.2
Insight	281,196	12.6	193,363	11.8
London CIV	150	-	150	-
London CIV - BG Global Equity	285,790	16.4	269,879	16.5
London CIV - JP Morgan	171,868	9.9	169,759	10.4
London CIV - MAC	234,856	13.5	224,477	13.7
Insight MMF	5,000	0.3	5,000	0.3
M&G	123,810	7.1	126,715	7.7
London CIV - RBC	310,155	17.8	286,363	17.5
PAAMCO	133	-	52	-
RREEF	46	-	45	-
Churchill Asset Management	46,158	2.7	67,792	4.1
Permira	33,599	1.9	66,046	4.0
<b>Total</b>	<b>1,738,133</b>	<b>96</b>	<b>1,637,048</b>	<b>100</b>

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

	Market Value 31-March-2022	% of Fund	Market Value 31-March-2023	% of Fund
	£'000		£'000	
Invesco	170,134	9.8	167,174	10.2
Insight	281,196	12.6	193,363	11.8
London CIV - BG Global Equity	285,790	16.4	269,879	16.5
London CIV - JP Morgan	171,868	9.9	169,759	10.4
London CIV - MAC	234,856	13.5	224,477	13.7
London CIV - RBC	310,155	17.8	286,363	17.5
M&G	123,810	7.1	126,715	7.7

**PEN - 15: Fair Value – Basis of Valuation**

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 on the final day of the accounting period	Not Required	Not required
Pooled investments – overseas unit trusts and property funds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not Required	Not required
Finance leases and PFI liabilities	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	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts.
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	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited and unaudited accounts.
Unquoted equities	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Material events occurring between the date of the statements provided and the Fund's own reporting date, changes to expected cash flows, or by variances between audited 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 potential impact on the closing value of investments held as at 31 March 2023.

	Valuation range	Value at 31 March 2023	Value on increase	Value on decrease
	(+/-)	£'000	£'000	£'000
Pooled investments – Hedge funds	0.0%	52	52	42
Pooled investments – Property Funds	15.3%	167,218	192,784	141,651
Private equity	24.4%	60,233	74,941	45,525
<b>Total</b>		<b>227,503</b>	<b>267,777</b>	<b>187,218</b>



## Notes to the Pension Fund (continued)

## PEN - 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 Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Property pooled funds continue to be included at level 3 as a result of the market valuation uncertainty that has been added to the fund valuations

Values at 31 March 2023	Quoted Market price Level 1	Using observable inputs Level 3
	£'000	£'000
Financial assets at fair value through profit and loss		
Bonds	193,332	-
Pooled investments	1,216,181	52
Pooled property investments	-	167,218
Private equity	-	60,233
Cash deposits	32	-
<b>Total</b>	<b>1,409,545</b>	<b>227,503</b>

Values at 31 March 2022	Quoted Market price Level 1	Using observable inputs Level 3
	£'000	£'000
Financial assets at fair value through profit and loss		
Bonds	281,162	-
Pooled investments	1,211,386	133
Pooled property investments	-	170,178
Private equity	-	75,238
Cash deposits	36	-
<b>Total</b>	<b>1,492,584</b>	<b>245,549</b>

**PEN - 15b: Reconciliation of Fair Value Measurements within Level 3**

	Market value 1 April 2022	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market value 31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Hedge Fund of Funds	133					(81)		52
Private equity	75,238			1,376	(382)	(15,999)		60,233
Pooled property investments	170,178				(1,265)	(1,695)		167,218
	<b>245,549</b>	-	-	<b>1,376</b>	<b>(1,647)</b>	<b>(17,775)</b>	-	<b>227,503</b>

	Market value 1 April 2021	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market value 31 March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Hedge Fund of Funds	387	-	-	-	-	(254)	-	133
Private equity	72,508	-	-	3,285	(422)	(132)	-	75,239
Pooled property investments	159,115	-	-	-	(1,222)	12,285	-	170,178
	<b>232,010</b>	-	-	<b>3,285</b>	<b>(1,644)</b>	<b>11,899</b>	-	<b>245,550</b>

## PEN - 16a: Classification of Financial Instruments

	Values at 31-March-2023				Values at 31-March-2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial assets</b>								
Fixed interest securities	193,332			193,332	281,162	-	-	281,162
<b>Pooled investments</b>	731,053			731,053	772,946	-	-	772,946
Pooled property investments	167,218			167,218	170,178	-	-	170,178
Private equity	60,233			60,233	75,238	-	-	75,238
Multi Asset Credit	351,193			351,193	358,666	-	-	358,666
Private Debt	133,837			133,837	79,757	-	-	79,757
London CIV	150			150	150	-	-	150
Cash instruments	32			32	36	-	-	36
Debtors	-	13,319		13,319	-	612	-	612
Cash and cash equivalents	-	47,947		47,947	-	104,394	-	104,394
<b>Financial assets total</b>	<b>1,637,048</b>	<b>61,266</b>	<b>-</b>	<b>1,698,314</b>	<b>1,738,133</b>	<b>105,006</b>	<b>-</b>	<b>1,843,139</b>
<b>Financial liabilities</b>								
Creditors				-	-	-	(1,342)	(1,342)
<b>Financial liabilities total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,342)</b>	<b>(1,342)</b>
<b>Total</b>	<b>1,637,048</b>	<b>61,266</b>	<b>-</b>	<b>1,698,314</b>	<b>1,738,133</b>	<b>105,006</b>	<b>(1,342)</b>	<b>1,841,797</b>

## PEN - 16b: Net Gains and Losses on Financial Instruments

2021/22	Investments	2022/23
£'000		£'000
	<b>Financial Assets:</b>	
26,389	Fair Value through profit and loss	(163,814)
-	Measured at amortised cost	-
	<b>Financial Liabilities:</b>	
523	Measured at amortised cost	779
<b>26,912</b>	<b>Total</b>	<b>(163,035)</b>

**PEN - 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 Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund'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.

**PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)***Other price risk – sensitivity analysis*

Following analysis of historical data and expected investment return movement during the financial year, and in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 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	11.5%
Emerging Market Equities	24.1%
Sustainable Equities	17.5%
Private Debt	11.1%
Global Equities	17.5%
Pooled Property Investments	15.3%
Private Equity	24.4%
Multi Asset Credit	9.7%
Hedge Funds	0.0%
Money Market Fund	0.0%
Cash - GBP	0.0%

Had the market price of the Fund's investments increased/decreased in line with the above percentage movements, the change in the net assets available to pay benefits would have been as follows (the prior year comparator is also shown below).

## PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)

## Change in the net assets

Asset Type	Values at 31- March-2023	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Bonds - LDI	193,363	22,325	215,688	171,038
Emerging Market Equities	169,759	40,941	210,700	128,817
Private Debt	133,837	14,921	148,759	118,916
Global Equities	556,242	97,314	553,556	458,929
Pooled Property Investments	167,219	25,567	192,786	141,652
Private Equity	60,233	14,708	74,941	45,525
Multi Asset Credit	351,193	34,020	385,213	317,173
Hedge Funds	52	-	52	52
Money Market Fund	5,000	-	5,000	5,000
London CIV	150	-	150	150
<b>Total</b>	<b>1,637,048</b>	<b>249,796</b>	<b>1,786,845</b>	<b>1,387,252</b>

Asset Type	Values at 31- March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Bonds - LDI	281,196	40,331	321,527	240,865
Emerging Market Equities	171,868	44,981	216,849	126,887
Private Debt	79,757	8,487	88,244	71,270
Global Equities	595,945	101,421	697,366	494,525
Pooled Property Investments	170,180	24,043	194,223	146,137
Private Equity	75,238	18,790	94,028	56,448
Multi Asset Credit	358,666	38,213	396,879	320,453
Hedge Funds	133	9	142	124
Money Market Fund	5,000	-	5,000	5,000
London CIV	150	-	150	150
<b>Total</b>	<b>1,738,133</b>	<b>276,275.0</b>	<b>2,014,408</b>	<b>1,461,859</b>

PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)

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 Fund 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 2023 and 31 March 2022 is set out in the table opposite. These disclosures present interest rate risk based on the underlying financial assets at fair value.



## Notes to the Pension Fund (continued)

## PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)

*Interest rate risk – sensitivity analysis*

The Fund 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.

Assets exposed to interest rate risk	Values at 31- March-2023	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash and cash equivalents	47,947	-	47,947	47,947
Fixed interest securities	193,332	1,933	195,266	191,399
<b>Total</b>	<b>241,279</b>	<b>1,933</b>	<b>243,213</b>	<b>239,346</b>

Assets exposed to interest rate risk	Values at 31- March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash and cash equivalents	104,394	-	104,394	104,394
Fixed interest securities	281,162	2,812	283,974	278,351
<b>Total</b>	<b>385,556</b>	<b>2,812</b>	<b>388,368</b>	<b>382,745</b>

Income exposed to interest rate risk	Amount Receivable 2022/23	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,350	14	1,363	1,336
Fixed interest securities	5	-	5	5
<b>Total</b>	<b>1,355</b>	<b>14</b>	<b>1,368</b>	<b>1,341</b>

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.



## Notes to the Pension Fund (continued)

## PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)

## 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 Fund 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 Fund 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	Values at 31- March-2023	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Overseas unquoted securities	60,233	6,023	66,256	54,210
Overseas unit trusts	121,088	12,109	133,197	108,979
<b>Total</b>	<b>181,321</b>	<b>18,132</b>	<b>199,453</b>	<b>163,189</b>

Assets exposed to interest rate risk	Values at 31- March-2022	Potential market movement (+/-)	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Overseas unquoted securities	72,508	7,251	79,758	65,257
Overseas unit trusts	116,396	11,640	128,035	104,756
<b>Total</b>	<b>188,904</b>	<b>18,891</b>	<b>207,793</b>	<b>170,013</b>

**PEN - 17: Nature and Extent of Risks Arising from Financial Instruments (continued)****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 value of investments generally reflects 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 2022 was £47.9m (31 March 2022: £104.4m). This was held with the following institutions.

Assets exposed to interest rate risk	Rating	31-March-2022	31-March-2023
		£'000	£'000
<b>Money Market Funds:</b>			
Northern Trust - Liquidity Fund	AAA	19	18
<b>Bank Deposits and Current Account:</b>			
Royal Bank of Scotland	A+	104,394	47,947
<b>Total</b>		<b>104,413</b>	<b>47,965</b>

**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 it maintains 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 pensioner payroll costs, and cash to meet investment commitments; the Fund has immediate access to its cash holdings.

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 into cash. As at 31 March 2023 the value of liquid assets was £1,383.0m, which represented 81.57% of total Fund assets (31 March 2022: £1,686.5m, which represented 91.57% of 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 2023 are due within one year.

**Refinancing risk**

The key risk is that the Fund will be obligated to replenish a significant proportion of its 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.

## PEN - 18: Funding Arrangements

In line with the Regulations 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.
- 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 17 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 2022 actuarial valuation the Fund's assets, which at 31 March 2022 were valued at £1,842m, were sufficient to meet 96% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date (82% as at 31 March 2019). The resulting deficit at the 2022 valuation was £79m (£307m as at 31 March 2019).

Changes to contribution rates have been phased in over the three-year period from April 2023 to 31 March 2026 for all scheme employers. Individual employers' rates will vary depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable, as well as the methods and assumptions used, can be found in the 2022 actuarial valuation report and the Funding Strategy Statement on the Fund's website.

The Fund's liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or an expected earlier date of leaving pensionable membership

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

## Notes to the Pension Fund (continued)

### PEN - 18: Funding Arrangements (continued)

#### Longevity assumptions

The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	31-March-2022	31-March-2023
<b>Retiring today</b>		
Males	21.3	21.2
Females	23.7	24.0
<b>Retiring in 20 years</b>		
Males	22.9	22.7
Females	25.5	25.6

#### Experience over the period since 31 March 2022

Markets were disrupted by the ongoing war in Ukraine, a short-term change in UK fiscal policy and global inflationary pressures. As a result, asset returns lagged expectation while members received a higher than anticipated benefit increase of 10.1% in April 2023. However, these impacts were more than offset by a material increase in expected future returns due to rising interest rates which had the effect of decreasing the value placed on the Fund's liabilities. Therefore, the funding level increased significantly in the year to 31 March 2023. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

### PEN - 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.

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 valued ill health and death benefits in line with the IAS 19.

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2023 was £ 1,727m (31 March 2022: £2,336m). The fair value of the scheme assets was estimated to be £1,644m (31 March 2022: £1,800m), and the net liability was therefore implied to be £83m (31 March 2022: £536m).

**PEN - 19: Actuarial Present Value of Promised Retirement Benefits (continued)**

As noted above, the liabilities are calculated on an IAS 19 basis and therefore will differ from the results of the 2022 triennial funding valuation (see note 18) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

Assumptions used	2022/23 %	2021/22 %
Pension increase rate	3.00	3.20
Salary increase rate	3.50	3.70
Discount rate	4.75	2.70

**PEN - 20: Current Assets**

31-March-2022 £'000	Investments	31-March-2023 £'000
612	Sundry debtors	13,319
104,394	Cash balances	47,947
<b>105,006</b>	<b>Total</b>	<b>61,266</b>

**PEN - 21: Current Liabilities**

31-March-2022 £'000	Investments	31-March-2023 £'000
1,342	Sundry creditors	-
<b>1,342</b>	<b>Total</b>	<b>-</b>

**PEN - 22: Additional Voluntary Contributions**

31-March-2022 £'000	Investments	31-March-2023 £'000
3,246	Prudential	2,956
539	Utmost Life & Pensions	448
206	Clerical Medical	200
<b>3,991</b>	<b>Total</b>	<b>3,604</b>

## Notes to the Pension Fund (continued)

### PEN - 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 £1.44m (2021/22 £1.72m) 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 £41.9m to the fund in 2022/23 (2021/22: £41.2m). All monies owing to and due from the fund were paid in year.

#### Governance

There are no elected Members of the Pensions Committee in receipt of pension benefits from the Lambeth Pension Fund; the pensioner representative was in receipt of pension benefits from the Lambeth Pension Fund during the year. In addition, the Pensions Committee employee representative is an active member of the pension fund.

Members of the Pensions Committee are required to declare interests at each meeting.

### PEN - 24: Contingent Liabilities and Contractual Commitments

The total investment commitments as at 31 March 2023 are £413.72m and the outstanding undrawn commitments are £139.04m (31 March 2022: total commitment £354.29m and outstanding was £139.41m).

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

### PEN - 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.

This page has been intentionally left blank





## Executive summary

Like other local authorities both regionally and nationally, the London Borough of Lambeth has been impacted significantly in 2022/23 by the instability in the economy and the consequent ongoing cost of living crisis. Governance arrangements have again been tested but remain resilient.

The council is satisfied that appropriate governance arrangements are in place. We propose over the coming year to take steps to address the matters identified that require improvement and to further enhance our governance arrangements in these challenging times while delivering on our mandatory functions and reaching out to deliver on a refreshed borough plan.

The Chief Executive is clear regarding the need to identify further areas for improvements and ensure that these are implemented at the earliest opportunity. A new target operating model, management structure, and corporate delivery plan as part of the visions for Lambeth 2030 have been developed and is being implemented during 2023/24 supported by a new set of values and behaviours framed within the One Lambeth Programme which is expected to further improve the overall assurance and governance environment

## Introduction and Acknowledgement of Responsibility

The London Borough of Lambeth is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. To achieve this the Council must ensure that it has a governance framework that supports a culture of transparent decision making. The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

## The Principles of Good Governance

The CIPFA/SoLACE Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework. There is further detail below on how the council is meeting these requirements in practice.

## Core Principles of the CIPFA/SoLACE Framework

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- b. Ensuring openness and comprehensive stakeholder engagement
- c. Defining outcomes in terms of sustainable economic, social and environmental benefits
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within
- f. Managing risk and performance through robust internal control and strong public financial management
- g. Implementing good practices in transparency, reporting and audit to deliver effective accountability

## Key Elements of the council's Governance Framework

The governance framework at the London Borough of Lambeth comprises the systems and processes, culture, and values which the council has adopted to deliver on the above principles. The council has a separate code of governance, which is consistent with the principles of the CIPFA / SoLACE framework (2016). This is updated each year and evidence actively collated and assessed for compliance. The Code will be updated as necessary in 2023/24 following changes to the senior management structure. Compliance with the revised code will be reported to the Corporate Committee during the year.

The CIPFA Advisory Note 'Understanding the Challenge to Local Authority Governance' (March 2022) restates the importance of increasing awareness and strengthening of governance arrangements following the significant and high-profile failures in some local authorities. These concerns were reaffirmed by the Department for Levelling Up, Housing and Communities (DLUHC) in their 2020 report, 'Addressing cultural and governance failings in local authorities: lessons from recent interventions'.

For good governance to function well, the CIPFA Advisory Note, highlighted the need for organisations to encourage and facilitate a high level of robust internal challenge through strengthening audit committees and internal challenge. In the London Borough of Lambeth, the Corporate Committee exercises these duties.

Further, the CIPFA Financial Management Code 2019 (FM Code) was introduced during 2020-21, with the intention of improving the financial resilience of organisations by embedding enhanced standards of financial management. Although the implementation of the FM Code was mandatory only from 2021-22, the council continues to assess compliance with the Code. The council will be establishing a yearly review of compliance against the FM Code to be included in reporting to the Corporate Committee. Where appropriate, these reviews and audits will be conducted independently.

The governance framework incorporated into this Annual Governance Statement has been in place for the year ended 31 March 2023 and up to the date of the approval for the statement of accounts.

### Overview of the council's Governance Framework

#### Overview and Scrutiny

- Scrutiny is used to hold public-service providers in Lambeth to account and help improve the public services in the area
- Scrutiny committee review council policy and can challenge decisions
- They scrutinise the decisions of cabinet and performance of the council and have a key role in advising on the development of council policy

#### Council, Cabinet and Leader

- Provide leadership, approve the budget, develop and set policy
- Provide oversight of the council's strategic financial management and performance (role of the Cabinet Member for finance)
- Approve the constitution which sets out how the council operates
- Agree council plan priorities, developed in consultation with residents and stakeholders
- Manage the delivery of agreed council priorities, strategies and policies

#### Corporate Committee

The council's Audit and Corporate Governance Committee has responsibility for non-executive functions other than planning, licensing, pensions, and standards. It meets approximately five times a year and receives reports on the regulatory framework as follows:

- Annual Governance Statement
- Statement of accounts and external auditor's opinion
- External audit plan
- Internal audit plan
- Internal audit update
- Principal risks
- Counter-fraud; and
- Treasury management (quarterly)

The Committee may also consider additional reports on any of those functions should it consider it necessary to provide the assurance sought. Its terms of reference, structure, composition and work programme have been developed with reference to the CIPFA Position Statement and published guidance Audit Committees – Practical Guidance for Local Authorities and Police (2013).



Decision Making

- All decisions are made in compliance with law and council constitution
- All meetings are held in public
- Reports and papers are published on council website
- Decisions are recorded on the council website

Risk Management

- Risk management strategy and policy set out how risks are identified, assessed and mitigated
- Risk Registers include corporate, strategic and operational risks
- The council has an agreed risk appetite which defines the amount and type of risk the council is willing to accept

Chief Officers Team

The Corporate Director for Finance and Governance is the council's appointed Chief Financial Officer in accordance with section 151 of the Local Government Act 1972. The Director of Legal and Governance is the council's Monitoring Officer. These are statutory posts, responsible for delivering and overseeing the financial management and governance of the council. The Chief Financial Officer and the Monitoring Officer are both members of the Corporate Management Board.

a. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The London Borough of Lambeth expects the highest conduct and behaviour from all its Members – to include its co-opted Members and officers. The council's policy and decision-making are managed and controlled within a strong, well-established framework and a major feature of this is the council's written Constitution.

The council's Constitution sets out how the council operates and how decisions are made. This includes detail about committees and their composition, their powers and procedures, financial processes, rules of procedure and legal matters. The council regularly reviews and matches its governance structures and processes to council-wide priorities to ensure the principles of good governance are applied throughout the council. The Constitution outlines the officer and member code of conduct. The council's monitoring officer oversees all member code of conduct issues with the Independent Person where necessary.

All changes to the constitution are prepared by Democratic Services, reviewed by Legal and then submitted to the Constitution Working Group (CWG). The CWG is an informal body made of senior politicians from the Administration and Majority Opposition, and officers from across the council chaired by the Chief Whip. The CWG meet regularly throughout the year to review the constitution and give the council confidence that its constitution remains robust, up to date and compliant with all relevant legal requirements.

[Read the Constitution.](#)

It is a requirement under the Localism Act 2011 that the Council appoints at least one Independent Person to work with the Monitoring Officer on standards matters. The council completed its most recent recruitment exercise and appointed two Independent Persons in 2020/21. Since then, Lambeth's Independent Persons worked closely with the Standards Committee on all aspects of the Committee's work in relation to wider ethical and governance issues affecting the council, providing an independent perspective.

The council has in place a 'Whistleblowing Policy' (Duty to Act) which reflects the legal framework and obligation on the council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment. This procedure sets out the action that individuals should take to report a concern and also the action to take if, in extreme circumstances, a matter is not addressed or if they feel that raising the matter internally could result in evidence of malpractice being concealed.

[Read the Whistleblowing procedure.](#)

(Last updated in January 2023)

**a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (continued)**

The council has a two-stage process for handling complaints, supported by the Corporate Complaints Policy - The policy sets out guidance on logging, handling and monitoring complaints and for responding to enquiries from the Local Government & social Care Ombudsman (LGSCO), and the Independent Housing Ombudsman (IHO). The aim of the process is to resolve customer complaints, and drive service improvement across the council by highlighting good practice and identifying lessons learnt from complaints. If the customer feels their complaint has not been resolved after the second stage, they are able to escalate their complaint to the Ombudsman for an independent review. Our complaint policy can be found [here](#).

[Read the complaints policy.](#)

In recognition of the importance of improving the customer experience, learning lessons and evaluating performance the CCU improvement plan continued to focus on four key themes; customer transformation, customer standards, training, and improving performance. Customer experience training continued across the council covering key skills to improve customer communication and focus, to ensure we are a listening organisation, able to improve internal process to improve the customer journey. In addition, lunchtime learning sessions have been delivered across the council to improve customer service, complaint handling and investigation, while the monthly Complaint Network provides a focus on performance, current themes and developments and service improvements.

The number of complaints has continued to increase overall which has significantly impacted performance, and while there has been a 10% reduction in the volume of local resolution complaints and 7% reduction in the volume of MEs received during 2022/23, final review complaints have increased by 50%, indicating that there is less customer satisfaction at the initial stage of our complaint process. We are promoting our own arbitration scheme for Housing cases and are also offering compensation that mirrors the levels that could be awarded if escalated to the Independent Housing Ombudsman (IHO).

The council has a clear process for managing Freedom of Information (FOI) and Subject Access Requests (SAR). The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests. As part of our aim to improve transparency, we have developed a new webpage to publish frequently requested FOIs and provide easier access to this information for our customers and continue to develop this page to further improve transparency.

To improve the quality of FOI responses, directors are required to sign-off all responses and challenge is provided by the Corporate Complaints Unit where needed to ensure a high-quality response. Management Board have strategic oversight, and as part of this role receive quarterly performance reports on compliance as part of the corporate performance report, as well as receiving ad hoc updates in response to issues or queries. Our FOI guidance can be found [here](#).

[Read the FOI guidance.](#)

In 2022/23 we received 2,217 FOI requests, which is a decrease from 2021/22 when we received 2,231 and may indicate that the transparency project is effective in reducing volumes. FOI performance 2022/23 was 82% which is beneath our KPI of 90%.

**b. Ensuring openness and comprehensive stakeholder engagement**

The council supports the principle that people should have the opportunity to voice their opinions on issues that affect them. The views of residents and service users are at the heart of the council's service delivery arrangements and are actively sought by the council as evidenced by the Residents Survey, conducted annually.

Effective partnership governance and stakeholder engagement is critical to achieving the outcomes the council and partners are working towards as described in the Borough Plan. As well as meeting their statutory duties, partnership boards will need to provide effective governance and leadership to the delivery of the Borough Plan.

**b. Ensuring openness and comprehensive stakeholder engagement (continued)**

In April 2022, Lambeth Council undertook the process of developing the new Borough Plan to establish a new strategic framework for the Council and its partners.

The plan sets out Lambeth's vision for the future and articulates the roadmap for getting there. It is a tool which will support the Council, its partners and residents to collaborate effectively, align our collective energy and resources, and focus on the shared priorities of our residents.

Informed by unprecedented and major global and local events that occurred over the last four-years, during the lifecycle of the previous Borough Plan, a purposeful approach was made to longer term planning – looking ahead to the borough we want to live, work, and visit in 2030.

Shaping Lambeth 2030 with communities and partners was at the centre of the plan. Everyone who lives, visits and works in the borough was invited to share what makes Lambeth unique and why it is important to them, what they would like the future Lambeth to look and feel like and the challenges they are facing now and anticipate on the road to 2030.

[Lambeth 2030](#)

Across August 2022 we engaged with Lambeth Council Staff (200 attendees) through an intensive Borough Plan Design Week and across October – December 2022, the Council facilitated a variety of activities across the borough, in accessible ways and local spaces, at different times of day and with different protected characteristic groups to get a representative voice of Lambeth.

In total we ran:

- Borough-wide workshops x 9 – 150 people
- Focussed discussions x 7 – 80 people
- Partner roundtables x 4 – 50 organisations
- Lambeth 2030 survey x for 6 weeks – over 600 responses
- Market researchers x for 2 weeks

To support this activity we utilised social media, networks, leaflets, posters and worked with local voluntary and community organisations and following workshops, shared summaries with attendees.

Informed by the extensive feedback we collated and building on the results of the Child Friendly Lambeth consultation, and data and learnings from the Citizens' Assembly on the Climate Crisis and the Health and Wellbeing Strategy, in January 2023 we produced 'Lambeth 2030: Our Future, Our Lambeth'.

Lambeth 2030 sets out a borough commitment to work in partnership and to have a continued dialogue with residents, business, partners and local organisations. Openness and engagement are part of our approach to delivering Lambeth 2030. This is also reflected in the establishment of two new strategic partnerships: the Lambeth 2030 Partnership, which will oversee the delivery of our ambitious borough plan; and the Lambeth United Equity and Inclusion Partnership, leading our work to become a borough of equity and justice.

**c. Defining outcomes in terms of sustainable economic, social and environmental benefits**

This is a significant moment in time for us all. As we continue to adapt to the post-covid landscape, we face the harsh realities of the cost-of-living crisis within the context of sustained uncertainty of the future of public sector finance. We know that the impacts of climate change, London's housing crisis, and the challenges of poor health and wellbeing are deeply impacting our communities and are changing the way we live.

As Lambeth 2030 is an overarching strategic borough-wide plan, it is our opportunity to equip communities and collectively overcome these obstacles with a focus on the distinct impacts being felt by those who live, work and visit the borough.

[Lambeth 2030](#)

Therefore, Lambeth 2030 is a vision for the best borough we can be by 2030. That is a borough with social and climate justice at its heart.

As we look towards the future – one that allows each of us to thrive – we are taking a focussed approach and positive action to build a stronger borough that delivers for everyone and to tackle these challenges head on.

We have identified three ambitions for Lambeth which are intentionally tied together through the Lambeth Golden Thread – Equity and Justice, with a relentless commitment to tackle inequality at the root cause, focusing on what matters most to our residents.

- 1 Making Lambeth Neighbourhoods Fit for the Future
- 2 Making Lambeth One of the Safest Boroughs in London
- 3 Making Lambeth A Place We Can All Call Home

Informed by consultation to define our ambitions, we have shaped our 2030 outcomes through the lens of creating a better borough for everyone and what will offer sustainable economic, social and environmental benefits.

**Our Lambeth Outcomes:**

A Borough of Equity and Justice

By 2030:

- Lambeth will have lower levels of deprivation, with fewer children growing up in poverty.
- Lambeth will tackle the structural inequalities adversely impacting Black, Asian and Multi-Ethnic residents by being a borough of anti-racism.
- Lambeth will be a borough of progress, working with LGBTQ+ communities and disabled residents to tackle the biggest challenges they face.

Our 2030 Ambition: Making Lambeth Neighbourhoods Fit For The Future

By 2030:

- Lambeth will be a Net Zero Borough.
- Lambeth residents will experience good health and wellbeing, with an improved healthy life expectancy for those with the poorest outcomes.
- Lambeth will be a sustainable and healthy borough, with more accessible and active travel options for everyone

## c. Defining outcomes in terms of sustainable economic, social and environmental benefits (continued)

Our 2030 Ambition: Making Lambeth One Of The Safest Boroughs In LondonBy 2030:

- Lambeth will be a safer borough for everyone, with a significant reduction in serious violence against young people.
- Lambeth will be safer for women and girls, and all residents experiencing gender-based violence will be able to access support.
- Lambeth will be a borough of prevention, tackling the root causes of violence to protect our communities

Our 2030 Ambition: Making Lambeth A Place We Can All Call HomeBy 2030:

- Lambeth will be a borough of opportunity, with local people benefitting from jobs in our future growth industries.
- Lambeth will increase the supply of genuinely affordable housing and the quality of existing homes for residents who need them.
- Lambeth will be a borough of sanctuary and an Age and Child Friendly borough, the best place to grow up and age well.

To show how we will deliver against these outcomes, the Council will complete a Corporate Delivery Plan – the Council’s key document that outlines its priorities and objectives for the coming financial year. By doing so, the Corporate Delivery Plan ensures that sustainable progress towards the Borough Plan’s goals is made every year and that the council remains focused on its long-term vision.

**Financial management**

The Council’s Medium Term Financial Strategy (‘MTFS’) is a four-year plan which forms a core part of the council’s strategic framework and plays a pivotal role in translating the council’s strategic plans and ambitions into action.

The main objectives of our MTFS are:

- Prioritise our resources in-line with the council’s Borough Plan to ensure we achieve our core priorities
- 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 taxpayers
- Exercise probity, prudence and strong financial control
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level as agreed by our S151 Officer
- Continually review budgets to ensure resources are targeted on our key priorities

The above objectives are at the core of our MTFS and we will ensure the objectives are upheld throughout the duration of the MTFS and beyond. The MTFS will continue to be updated as we gain greater certainty and clarity on the level of funding for future years. Both the Financial Planning processes, budget monitoring and savings delivery are subject to regular reviews by the Internal Audit Team.

Due to the importance of delivering savings and remaining within agreed budgets, savings are monitored on a monthly basis through the savings tracker, budget monitor and regular reports to Management Board, Cabinet Member for Finance, Informal Cabinet and Cabinet.

[Read The Medium Term Financial Strategy](#)

### c. Defining outcomes in terms of sustainable economic, social and environmental benefits (continued)

In 2019 CIPFA published the Financial Management Code (FM Code) which provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. The FM Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management and agreed by Corporate Committee.

#### The Key Principles of the Financial Management (FM) Code

The underlying principles that inform the FM Code have been designed to assist in determining whether, in applying standards of financial management, a local authority is financially stable. The principles of good financial management as set out by the code are:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decisions.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

Good governance ensures better informed and longer-term decision making and therefore is essential for good financial management. The main headings within this governance statement are aligned with the principles of good financial management, demonstrating how the council complies with the overarching requirements of the Code

[Further information on the CIPFA Financial Management Code](#)

### d. Determining the interventions necessary to optimise the achievement of the intended outcomes

The council has in place a robust decision-making process with all reports are subject to corporate clearance (Legal, Finance and Democratic Services) prior to publication in accordance with the published procedures (which form part of the Council Constitution). All reports follow a standard template which identifies the decision or action required, why the report is recommended, alternative options considered and rejected together with a detailed (including consultation carried out) section. The details section includes any pros and cons relevant to the proposal and deals with any supporting information that the decision maker may require in order to make a valid, legal decision.

[Read the Decision Making Guide](#)

The Overview and Scrutiny Committees discharge the Council's statutory scrutiny functions. This includes scrutinising items on the Council's Forward Plan and exercising the power to call-in executive key decisions, agreeing the scrutiny programme, and monitoring performance and budgets. coordination, delivery and ongoing improvement of Lambeth's Scrutiny Function. It will be specifically responsible for overseeing and scrutinising the whole range of the Authority's functions and responsibilities, as well as other public service providers' work and its impact on the local community. The Committee's remit will also extend to all matters which impact on the economic, social and environmental wellbeing of those who live, work, study or use services in the borough.

The Children's Services Scrutiny Sub-Committee is responsible for reviewing the provision, planning and management of children and young people's services, and the Housing Scrutiny Sub-Committee scrutinise private sector housing enforcement and regulation and the work of the Housing Department in supporting the borough's goal to improve housing quality in its social homes and neighbourhoods, and managing the Lambeth Housing Partnership with other Registered Providers. Scrutiny provides the role of the "critical friend" to the decision-makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard.

Read further information on: [Overview and Scrutiny](#).



**d. Determining the interventions necessary to optimise the achievement of the intended outcomes (continued)**

The Corporate Committee performs the 'audit committee' role and is responsible for monitoring the effective development and operation of corporate governance across the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance.

Each service area within the council is also required to produce an annual business plan that includes what and how services are to be delivered, the cost drivers, future challenges, opportunities and risks and how they will be addressed. The plans detail the budget envelope and projected costs for the service. Budget pressures arising in services are identified through regular monitoring of budgets with action plans to address any significant in year budget variances agreed with the corporate Management Board and subject to monthly progress / status reporting at departmental management teams. Budget and Performance monitoring is reported to Cabinet on a quarterly basis.

**e. Developing the entity's capacity, including the capability of its leadership and the individuals within**

The council has a performance management framework through the annual appraisal and personal development plan for all employees. This helps to identify learning and development needs and is linked to annual objectives. There are also personal development plans for staff. The Council also provides many learning resources to assist staff including both online and virtual training.

Members are also offered structured training and development opportunities, in line with their own personal development plans. In addition, members of key committees, such as the scrutiny committee and its panels, have received specialised training to equip them to carry out their duties. Support and information are also provided to opposition parties for example when they seek to put forward alternative budgets. The council is also actively engaged with colleagues through the London Member Development Network.

**f. Managing risk and performance through robust internal control and strong public financial management**

The main purposes of the council's risk management process are:

- Provide Members and Senior Officers an understanding of the key risks facing the Council and its community, and how these risks are being managed
- Ensure that risk management effectively supports the corporate governance of the Council
- Ensure the process for identifying, evaluating, controlling, reviewing, reporting, and communicating risks is in line with best practice, consistently applied and understood.
- Champion risk management, increasing our capacity for risk, whilst maintaining our statutory responsibilities
- Developing and replicating best practice in risk management, providing value for money, and enabling better outcomes

The council has in place a 'Risk Management Strategy and Policy'. The policy is intended to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility recognising that all employees, members and those who act on behalf of the council have a role to play in the effective management of risk. It is also relevant to Members in their capacity as 'decision makers'.

The Risk Management Strategy and Policy is subject to annual review to ensure it continues to reflect good practice and remains aligned with current business processes and practices. Any significant changes are reported to the council's Corporate Committee which has responsibility to provide independent assurance on the adequacy of the risk and internal control framework. The Corporate Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance

[Read the risk Management policy and strategy 2020-23.](#)

**Key risks in 2022/23**

The top risks are those that have been assessed as "high" and are categorised as either key corporate or strategic risks - corporate risks relate to corporate health, key processes, people and systems and strategic risks relate to strategic priorities and Borough Plan outcomes.



f. **Managing risk and performance through robust internal control and strong public financial management (continued)**Governance themes and challenges in 2022/23

Analysis of the key audit reports issued during 2022/23 has revealed key areas of strength which has led to good governance, risk management and/or control as well as reoccurring themes that have resulted in poorer governance, risk management or control. There were six reports issued this year that offered positive assurance (substantial or reasonable). Analysis of these reports revealed the following key features of good governance, risk management and/or control:

- Strong operational leadership and management.
- Ongoing performance management, monitoring, and reporting
- Effective, efficient controls that are consistently applied.
- Good quality, accurate data leading to sound decisions.
- Positive, regular stakeholder engagement.
- Good risk management.
- Flexible and adaptable approach.

There were several common issues identified within the small number of limited or no assurance opinions provided in important areas of control that impact the whole of the council. These included risk management, contract management, corporate health & safety, and recruitment.

There were some issues of poor compliance, and these have been raised with senior management as part of the assurance reporting framework.

Significant risks and challenges for 2023/24

The council also faces several areas of significant risk that will require management and mitigating actions as appropriate in 2023-24. and include:

- Impact of cost-of-living crisis on our residents and communities and council services 2023-24
- Housing
- National and global economic conditions
- Recruitment and retention of skilled staff

**Impact of the Cost-of-Living Crisis on council services 2023-24** – In the Spring 2023 Budget Statement, the Institute for Fiscal Studies (IFS) commented that the overall outlook for public finances still looked difficult. It was expected that inflation would fall below 10% but there continues to be very high food price inflation of nearly 20%, which is of particular concern for low-income families who spend a greater share of their income on food than higher income households. Growth in average total pay was 5.9%, significantly below inflation. Taxes have continued to rise to their highest ever level, and tight spending is pencilled in from 2024. Households will continue to feel pain in the longer term, as even if inflation comes down, prices will remain high. Earnings lag inflation and the freezing of tax and national insurance thresholds will add further pain. This will create further hardship for those most vulnerable.

The government announced at the autumn 2022 statement that measures to support energy costs were to be scaled down with costs capped at £3,000 per annum (from £2,500) in 2023-24. But targeted support, through the Household Support Fund, for low-income households, pensioners and those on disability benefits would be extended for a further year to March 2024.

The council has pledged to continue to tackle the cost-of-living crisis for residents through several programmes in 2023-24, using both government grants and council resources.

**Social Housing and temporary accommodation** – The cost of living and inflationary pressures over the past 6 months have had significant detrimental impact on the Housing Revenue Account (HRA). The HRA reflects the statutory requirement to account separately for all costs and management of the council's housing stock, offset by tenants' rents and service charges, homeowner service charges and other income.

The government have imposed restrictions on the 2023/24 rent rise for social housing at 7%. This has meant that rent rises have not risen in line with inflation, which will result in a cut to the overall HRA spending plans, given other costs in particular construction related costs have increased significantly. However, the rent increase will still affect many residents where rent rises are not covered by benefits. In addition, there have been sharp increases in fuel costs which have affected both residents paying their bills directly to energy providers, but also to our tenants on communal heating systems. This is likely to lead to a significant increase in rent arrears and will need close monitoring, especially if fuel costs do not begin to fall back down quickly.

We are seeing increasing number of households requiring temporary accommodation in what is an ever-reducing housing supply economy and thus increasing the financial pressure on the council.

f. **Managing risk and performance through robust internal control and strong public financial management (continued)**

**National and global economic conditions** – In the spring 2023 budget, the Chancellor, Jeremy Hunt, set out his plan for stabilising the UK economy and reducing inflation. The Chancellor's plan was essentially two separate budget planning periods. The first for the next 2 years, 2023-2025 before the general election, which retains the targets set out in the 2021 Spending Review. And the second planning period, 3 years from 2025-2028, where average government spending is planned to rise by 1% p.a. For local government, this suggests a potential cash reduction over the 3-year period 2025-28 as other government departments have already secured rises above the announced 1% (NHS/Defence). In addition, by May 2023, the Bank of England had raised interest rates for the 12th time in a row to 4.5% after UK inflation failed to drop as predicted. So, it's likely that any government budget plans will be changed. A possible general election in autumn 2024 creates further uncertainty around long term economic planning so any prediction post 2025 is highly speculative.

The war in Ukraine and economic conditions in across the world is expecting to continue affecting the economic conditions in the UK.

**Recruitment and retention of skilled staff** – The Spring 2023 statement made no announcements on public sector pay and the IFS commented that if public sector pay continues to fall in real and relative terms to the private sector there will be a consequence in terms of recruitment, retention, and service delivery. Shortages of workers due to people retiring earlier, will create further competition with private sector companies who have already adapted to this challenge by higher wages and enhanced benefits. The council will have to ensure that retention and recruitment of professional and experienced staff are prioritised.

Key Performance Information:

In 2022/23, budget and performance information was provided to management teams monthly and Management Board and Cabinet every quarter. Performance indicators were broken down as follows:

- **Tier 1: Borough Plan KPIs** – these give an understanding as to the achievement of the five main objectives, or pillars, in the Borough Plan. Whilst some of these measures are not within the council's direct control, they do provide a better understanding of the wider wellbeing of the borough, and as such, the monitoring of their improvement provides a view as to the effectiveness of the work carried out by the council and its partners towards the success of the Borough Plan.
- **Tier 2: Priority Service KPIs** – these give an understanding as to the achievement of the five main objectives, or pillars, of the Borough Plan as well as the sixth 'enabling' pillar. These measures are within the council's direct control.
- **Tier 3: Service Performance Indicators** – these indicators are aligned with service priorities and reflect the performance of specific directorates. Directors are accountable for the management and improvement of these indicators. They are reported to Management Board by exception where there are particular issues or concerns around longer term performance or where immediate action needs

**Business Plans** – each directorate produces a business plan outlining the actions that they will take to support the Borough Plan. The objectives of the Business Plans are linked to the delivery of the pillars of the Borough Plan and progress is reported quarterly to Management Board.

**UK Stewardship code** – In February 2023 the council's Pension Fund was approved as a signatory to the Financial Reporting Council (FRC) UK Stewardship Code, continuing the success of being the first local government pension scheme to be approved in 2021. Stewardship can be defined as the responsible allocation, management and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code sets high stewardship standards for those investing money on behalf of UK pensioners and those that support them; successful signatories must report annually on a comply or explain basis against twelve Stewardship Principles that cover Purpose and Governance, Investment Approach, Engagement, and Exercising Rights and Responsibilities.

[Read the Fund's latest Stewardship Report](#)

g. **Implementing good practices in transparency, reporting and audit to deliver effective accountability**

The council is committed to openness and transparency and publishing as much data as possible to increase accountability. The council has an Open Data section on the website that enables the public to access the data published under the requirements of the Local Government Transparency Code (2015). This Code sets out the specific data required to be published, and the timescales by which the data must be published. All data required to be published by the Local Government Transparency Code is published.

[Read the open data page.](#)

**g. Implementing good practices in transparency, reporting and audit to deliver effective accountability (continued)**

The council's Constitution sets out how decisions are made and makes specific reference to decision making by Full Council, by the Executive (Cabinet), by Overview and Scrutiny Committees, other committees and by council bodies acting as tribunals. The council produces a Forward Plan of all Key Decisions which are proposed to be taken within the next four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). Other decisions are also included where practicable to assist in providing public transparency and confidence in decision making. All agendas and minutes of meetings in respect of council, Cabinet Overview and Scrutiny, Non-Executive Committees and statutory boards are published on the council's website. The Constitution also includes an Officer Scheme of Delegation which sets out the powers and functions that are delegated to named council officers. The Scheme of Delegation is a statutory requirement and is maintained by the Service Director: Legal & Governance. In addition, 'Decision Making - Corporate Standards and Guidance for Officers' is published on the internet and sets out the decision-making process, highlighting those aspects of decision making that are compulsory and must be complied with in all respects.

The 2022-23 Internal Audit plan was drawn up to address the statutory requirements and key risks for the council. It was drafted from a number of sources including the council's latest principal risk report, an Internal Audit risk assessment, audit plans of other local authorities, intelligence from previous audits, and CIPFA guidelines. Audit recommendations made in previous years continued to be followed-up in 2022-23. A reduced rate of implementation has generally been noted. Audit recommendations made in 2022-23 will be scheduled for follow up in 2023-24 to ensure that management action has been implemented within agreed timescales. This will provide senior management and the Corporate Committee with a direction of travel in the internal control environment across the council and will identify areas where further improvement is required.

## REVIEW OF EFFECTIVENESS

Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The effectiveness of governance arrangements is monitored and evaluated throughout the year, activity undertaken includes:

- Consideration of governance issues by Directorate Management Teams and Management Board – including risk registers, counter-fraud updates and internal audit reports
- Preparation of a rolling plan of audit coverage provided by the Head of Audit and Counter Fraud which is primarily based on an assessment of the council's risk profile
- The Annual Audit Opinion which is provided by the Head of Internal Audit and Counter Fraud
- Ongoing assessment of internal management processes, including performance management and compliance monitoring
- The work of the council's governance boards and working groups, including Management Board, Directorate and Divisional Management teams and working groups (e.g. GDPR and Cyber security working groups)
- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission
- The views of external auditors, regularly reported to Corporate Committee, including regular progress reports and the Annual Audit Letter
- The work of the Corporate Committee which includes responsibility for monitoring the development and operation of corporate governance in the council

## ANNUAL AUDIT OPINION

The Public Sector Internal Audit Standards (PSIAS) require that the Chief Audit Executive (for the Council this is the Assistant Director, Internal Audit and Counter Fraud) provides an annual audit opinion based upon the work performed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. Regarding the annual opinion, the Chief Audit Executive is satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given as to the adequacy and effectiveness of governance, risk management and control. The internal audit plan is designed to focus on key risks facing the Council and is approved by Corporate Committee; it has been updated throughout the year to ensure that Internal Audit is focussed on key risks facing the Council and to provide assurance in the areas where it is most needed. Progress and changes are reported to every Corporate Committee. For the year ended 31 March 2023, it is the Chief Audit Executive's opinion that Primarily based on the internal audit activity undertaken during the year, but also considering external assurances and other relevant matters, assurance that the Council has adequate systems of governance, risk management and internal control is considered limited.

## 2022/23 GOVERNANCE ISSUES

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
1	<b>Homes for Lambeth (HFL) performance:</b> In July 2022, the council commissioned Lord Bob Kerslake to conduct an independent review to seek to accelerate the delivery of affordable housing in the borough. The report concluded that “Our review finds that Lambeth Council has performed relatively well through the planning route, bringing forward over 2,400 affordable homes since 2017 and ranking 13th in the table of London boroughs...by contrast, the performance through Hfl’s [Homes for Lambeth] direct delivery route can only be described as very poor.	Independent review	<p>In December 2022 the council decided to consolidate Homes for Lambeth within the council to provide more council homes while honouring its net zero and sustainability ambitions.</p> <p>The Council set up a Transition Board to oversee the transition programme.</p> <p>A revised scope for the HFL Business Plan for 2023/24, was approved by Cabinet in March 2023, and is limited to:</p> <ul style="list-style-type: none"> <li>i) HFL Build progressing four low value developments, two of which are scheduled for completion during 2023/24</li> <li>ii) Hfl Living continuing to manage a portfolio of former leasehold homes.</li> </ul>	Regeneration and Housing	December 2024 (when all HFL projects are expected to be complete)
2	<b>Contract Management:</b> Audit activity identified three high risk findings relating to: Policies and guidance, Contract administration and Contract Management (relationship, risk and performance management)	Audit report	<p>All current policies and procedures are being reviewed to ensure they are up-to-date and reflect the current processes.</p> <p>Contract Management (CM) Training and guidance materials are being reviewed and updated and reissued to relevant colleagues.</p> <p>Contract managers will be required to update and record all relevant information on the CM system eCMS. A CM network will be implemented where support, guidance issues and lessons learnt will be shared. Mandatory training for CM’s to be introduced along with annual refresher training to ensure all CMs are adequately trained and aware of the latest procedures and expectations.</p>	Procurement and contract management team	September 2023

## 2022/23 GOVERNANCE ISSUES

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
3	<b>Safer recruitment:</b> Audit activity identified four high risk findings relating to: Roles and responsibilities, non-compliance with renewals policy, non-compliance with pre-employment check policy and GDPR and document retention compliance. It was recognised that there was a lack of ownership and responsibility for Safer Recruitment activities	Audit report	We are now addressing this by recruiting to a Safer Recruitment Officer role. In addition, a Responsibility Assignment matrix is being developed to confirm which individuals / departments are responsible, accountable, consulted and informed for each stage of the Safer Recruitment process. To address the GDPR and document retention recommendations the recruitment policy is being aligned to current practices regarding document retention and the current retention and deletion processes surrounding statutory documentation are being reviewed and updated to ensure that only the required data is being held on the Council system and records	Director of Human Resources and Organisational Development	September 2023
4	<b>Corporate Health and Safety:</b> Audit activity identified three high risk findings relating to: Health & Safety (H&S) governance, implementation of H&S resources, planning and objective monitoring	Audit report	Corporate H&S committee meetings will be held quarterly to improve accountability and standard terms of reference for directorate level H&S meetings will be updated and communicated to all relevant areas. The job descriptions for the Corporate H&S team are being reviewed to ensure clearer definition and separation of roles and a permanent Corporate H&S Manager / Lead is being developed to attract someone with appropriate qualifications and experience. In addition a council-wide H&S resourcing review will be undertaken to define what resources and competencies are required within Directorates and at the Corporate level to facilitate the effective management of H&S. We will compile quarterly data in relation to progress against H&S performance standards and indicators and review these at the Corporate H&S Committee meetings. Performance information will also be shared with management Board.	Health and Safety leads	June 23-March 24

2022/23 GOVERNANCE ISSUES

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
5	<b>Subject Access Requests</b> (SAR's performance) The Council was reprimanded by the Information Commissioner's Office (ICO) in September 2022 as SARs performance remained below the required standard (75% of SAR's were responded to within statutory deadline).	ICO report	Although the reprimand relates to Subject Access Requests received between August 2020 and August 2021, the ICO also reported that only 75% of SARs were responded to within the statutory deadline (one calendar month) between March and August 2022. The ICO required the Council to provide updates on its progress to improve in December 2022 and March 2023. A plan and updates have been provided to the ICO; in March 2023 SAR performance was reported to be 78%. In May 2023 management reported to Corporate Committee that the ICO was satisfied with the progress made as well as the improvement plan.	SAR's leads	March 2024

## Progress against 2021/22 governance issues

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
1	Complaint handling failure orders: The council received five complaint handling failure orders from the independent housing ombudsman identifying service failures in respect to repairs, record keeping and complaint handling. There is also a backlog of approximately 1,700 housing complaints.	Independent housing ombudsman report	<p>1 Complaint handling failure orders: The council received five complaint handling failure orders from the independent housing ombudsman identifying service failures in respect to repairs, record keeping and complaint handling. There is also a backlog of approximately 1,700 housing complaints. Independent housing ombudsman report The housing teams have worked hard to reduce the backlog of complaints and ME's which resulted in the run up to elections and transition of new contractors. The housing complaints teams have been restructured and more resources are in place to help manage the continued high volume. The number of overdue complaints has significantly reduced and the Assistant Directors (AD's) have service improvement plans in place to ensure we started the year with a clean slate.</p> <p>The processes for managing complaints and Members Enquires (ME's) have all been reviewed and ADs in housing are now directly responsible and attend a weekly housing improvement group and monthly board to ensure things stay on track.</p> <p>We are seeing an increase in ombudsman cases which is to be expected as residents can go direct to ombudsman now but all cases are responded to on time and works are now being tracked to In line with the Audit report recommendation the BCM Policy Strategy and Governance has been reviewed and rewritten by BCM consultants and is currently awaiting approval/signoff from Management board. Phase 3 of the project which includes updating the BIA together with establishing links with procurement and ICT disaster recovery has been scoped and is in progress with a scheduled completion of December 2023</p>	Corporate Complaint Unit	March 2023
2	Business Continuity Management (BCM): audit activity identified three high risk findings relating to BCM Programme Governance, Business Impact Analysis and Integration of wider business processes.	Audit report		BCM Team / Directors network	December 2022



## Progress against 2021/22 governance issues

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
3	ICT Risk Management – Cyber security training: audit activity identified a high risk finding in relation to Cyber security training – only 64% of employees had completed the training during 2021/22 which results in significant gaps with cyber security awareness and compliance.	Audit report	<p>Cyber Security training was made mandatory for 2022/23. There are a number of activities around all mandatory training and Organisational Development strategy currently in train to ensure better completion and smoother system process. Mandatory training is not the only awareness raising the Cyber Programme delivered during the year and central to the current delivery was the 2022/23 communications plan.</p> <p>A successful Council-wide cyber awareness week was delivered during 2022/23 where nine sessions were delivered by in-house teams and external partners. Over 300 staff attended live events and the Programme team received excellent feedback on all the sessions provided. Highlights included Hackney's Strategic Director walking through the impact of their attack on service delivery, and a session delivered by one of our security partners, NCC, on "is my Alexa listening to me?". We also launched a new internal website so staff can access important security resources and watch the sessions back at their own convenience. A new tagline and logo SEE, Stop Evaluate Escalate, was introduced during the year and is used for all cyber communications to make our content memorable and recognisable.</p>	Directors network / Heads of Service	December 2022

## Progress against 2021/22 governance issues

Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
4	Use of Waivers The council needs to reduce its use of waivers of the standing orders and increase its use of competitive tendering.	Audit report	<p>Training has and will continue to be provided to individual officers / departments especially those who have previously relied on Waivers to Extend / Vary contracts to;</p> <p>a) improve the interpretation of the council's Contract Standing Orders relating to Waivers where compliant alternatives are available in current primary procurement legislation for extending and varying contracts where there is a true need to do so.</p> <p>b) provide support to mitigate the reliance on Waivers whereby better forward planning is required utilising the council's Procurement Plan will result in more procurement opportunities taking place.</p> <p>c) utilise the category management function that delivers a service to departments at an earlier stage in the procurement cycle so that Waivers are no longer a simple choice for individuals to make where clear advice and support is before time limitation becomes the excuse for a Waiver rather than a procurement opportunity.</p> <p>d) improving the understanding that Waivers can lock out local suppliers from procurement opportunities and that Waivers have no financial or commercial benchmark to test Value for Money.</p> <p>e) take the opportunity to revise the council's Contract Standing Orders that restrict the application of Waivers.</p> <p>Demonstrating value for money and stewardship over public funds is a key priority for the Council. Officers will ensure they competitively procure and reduce the use of waivers.</p>	Directors Network	September 2022

-----  
Signed on behalf of Lambeth Council:  
Leader of Lambeth Council  
**Claire Holland**

-----  
Date:

-----  
Chief Executive- Lambeth Council  
**Bayo Dosunmu**

-----  
Date:



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 2023 is expected to arrive in April 2023, it will be accounted for in the 2022/23 accounts (the financial year it relates to), not the 2023/24 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 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 ASSET AND LIABILITY

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 assume no intention to curtail significantly the scale of operations.

**HOUSING REVENUE ACCOUNT (HRA)**

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

**MINIMUM REVENUE PROVISION (MRP)**

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

**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.

**PROVISION**

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

**PRIVATE FINANCE INITIATIVE (PFI)**

PFI offers a form of Public-Private Partnership in which local authorities do not buy assets but rather pay for the use of assets held by the private sector.

**PRECEPT**

This is the method by which a precepting authority (Greater London Authority in London) obtains income from the billing authority to cover its net expenditure. This is calculated after deducting its own Revenue Support Grant. The precept levied by the precepting authority is incorporated within the Council Tax charge. The Council pays the amount demanded over an agreed time scale.

**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.

**ABBREVIATIONS USED IN THE ACCOUNTS:**

**BRS** – Business Rate Supplement

**CIPFA** – Chartered Institute of Public Finance and Accountancy

**CIES** – Comprehensive Income and Expenditure Statement

**CPI** – Consumer Price Index

**DSG** – Dedicated Schools Grant

**EIP** – Equal Interest and Principal

**EIR** – Effective Interest Rate

**FRS** – Financial Reporting Standard

**HRA** – Housing Revenue Account

**IAS** – International Accounting Standards

**IFRS** – International Financial Reporting Standards

**MIRS** – Movement in Reserves Statement

**MRR** – Major Repairs Reserve

**NNDR** – National Non-Domestic Rates

**PFI** – Private Finance Initiative

**PPE** – Property, Plant and Equipment

**PWLB** – Public Works Loan Board

**REFCUS** – Revenue Expenditure Funded From Capital Under Statute

**RICS** – Royal Institution of Chartered Surveyors

**RPI** – Retail Price Index

**RSG** – Revenue Support Grant

**RTB** – Right to Buy