



Lambeth

2013/2014

**Annual Governance Statement
and
Statement of Accounts**



ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

- 1.1. Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs to facilitate the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has approved and adopted a local code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government and conforms with the financial management arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A copy of the code is on the website at Lambeth's Local Code of Corporate Governance.
- 1.4. This statement explains how the Council has complied with the code and meets the requirements of Regulation 4 (3) of the Accounts and Audit Regulations 2011.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.1. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact should those risks be realised and to manage those risks efficiently, effectively and economically.
- 2.2 The governance framework has been in place for the year ended 31 March 2014 and up to the date of approval of the statement of account.

3. THE GOVERNANCE FRAMEWORK

- 3.1. 2013/14 was a year of significant change across the Council. The physical structure of the organisation changed from five departments to four business clusters, and a number of significant projects including One Oracle, Cooperative Council Early Adopters programme and the Young Lambeth Cooperative significantly progressed throughout the year.
- 3.2. Looking forward, as the new constitutional and organisations arrangements bed down during 2014/15, it will be essential for all parts of the governance framework to make sure that the council's decision making and administration remain robust, transparent and subject to appropriate oversight and scrutiny.
- 3.3. Given the complex and varied nature of the services and functions the Council provides to citizens, and the change environment in which it has operated during the past 12 months, governance structures have been more fluid than in previous years. This has presented a considerable challenge to the organisation in maintaining and demonstrating good standards of governance. However, in order to do so the Council has and will continue to focus on and abide by the following six core principles of Corporate Governance:
 - Focussing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the area
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and risk management
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability

The following paragraphs (3.4 to 3.17) provide a summary of how the Council has achieved the six governance principles during 2013/14.

- 3.4 The Council's Community Plan 2013-16 was agreed by Cabinet in April 2013. This sets out the Council's aspirations for the borough for the next three years and includes our community outcomes framework. It also confirms the Council's commitment to cooperative commissioning, an approach agreed by Council in November 2012.
- 3.5 The Council has supported the promotion of the Community Plan by focusing on communicating its key campaigns around Safer Communities, Cleaner Streets and More Jobs, using various methods including social media, posters, street stalls and walkabouts. We have communicated the Community Plan directly and undertaken extensive internal communications about the Cooperative Council, including promoting specific change programmes in support of our transformation. Our campaigns and the work to develop the Cooperative Council have been promoted by articles and interviews with national and regional media. Also a special budget section in our Lambeth Talk magazine has spoken of performance achievements and shown where public money has been spent, and its impact.
- 3.6 The Community Plan, in particular the outcomes framework, provides the focus for all activity delivered by the council. This ensures that Members and officers have a shared understanding of what the Council is trying to achieve. The changes to the council's Constitution have enabled Cabinet Members to take on a commissioning role, providing direction and oversight in their portfolios for the cooperative commissioning cycle.
- 3.7 A clear example of this has been through the outcomes-based budgeting process, which has sought to align our budgets with our desired outcomes, despite the need to find further significant savings. In that respect, Members and officers have worked together on the best use of resources and presented a balanced budget to Council in February 2014.
- 3.8 The member and officer Codes of Conduct reinforce the Council's commitment to all related statutory and ethical duties and are publicly available to citizens and other stakeholders to ensure transparency. Ethical standards are embedded through training and induction for both members and officers and reviewed regularly. New arrangements introduced in 2012 included a new Code of Conduct for members, amended to comply with new government requirements. Part 4 of the Constitution outlines how Councillors and officers must conduct themselves according to all relevant codes of conduct and protocols. Although the Standards Committee is no longer statutorily required, the Council continues to benefit from its input on ethical standards issues from its experienced independent members, who have developed the Council's local arrangements.
- 3.9 The Council's risk management process is fully integrated into service areas and major projects. It uses a proven risk management system to record risks on a central register and manages and monitors both risks that are threats and opportunities. Internal Audit review the quality of operational risk registers as part of their annual work plan, and management can use the findings from Internal Audit's review to update the risk profile for their areas of responsibility.
- 3.10 The risk management policy and the risk management strategy are reviewed and refreshed annually. Both items are approved by the Operations Board and Corporate Committee and are also published on the Council's website. Regular reporting of strategic, major operational and major project risks takes place on a quarterly basis across all Council Clusters.
- 3.11 The Council seeks to identify, assess and respond to all strategic risks that may affect the achievement of community and service plan outcomes, adopting a response based on the nature of the risk. Risks may be tolerated where there are sufficient assurances that they have been properly identified, assessed and will be appropriately managed, and that the potential benefits accruing to the community justify that level of risk.
- 3.12 The Council's elected members are well supported to develop their skills and deliver their role effectively and the member development programme is under constant review. The development programme was modelled on the IDeA Council Competency Framework covering: Local Leadership; Political Understanding; Partnership Working; Scrutiny and Challenge; Communication Skills; Regulation and Monitoring. A member handbook was also provided.
- 3.13 Lambeth is also actively engaged with colleagues through the London Member Development Network, which the Head of Democratic Services and Scrutiny continues to chair. Members of key committees, such as the scrutiny committee and its panels, have received specialised training in order to equip them to carry out their duties. Support and information is also provided to opposition parties when they seek to put forward alternative budgets.
- 3.14 The vision of the Lambeth administration is 'delivering quality, tackling inequality' and includes the promise to deliver high quality services that focus on individuals' needs and represent value for money. Our Value for Money strategy sets out our approach to assessing, delivering and demonstrating optimum value to residents from our services. The strategy is supported by a suite of VfM tools which constitute the Value for Money toolkit.
- 3.15 The Council's development and support interventions for officers is in two key strands of activity which are interlinked - (i) skills and capability support that is role specific and (ii) modelling the Lambeth behaviours. Learning and development support are reviewed regularly to ensure that these are both relevant and

effective. The support ranges from induction and on-boarding, through development into the role, succession planning and personal development and includes support for statutory roles such as social care, housing, benefits and democratic services.

- 3.16 The Council has continued to develop procurement and contract management techniques with a view to securing VfM and efficiency gains where appropriate. VfM is integral to procurement activity and the Council promotes the consideration of whole life costs and financial appraisal in decision making. Collaborative arrangements are progressed where appropriate to deliver increased benefit to both the Council and its partners.
- 3.17 We use benchmarking information to better understand our relative position against other authorities, and the key drivers which govern financial and non-financial performance. Whereas benchmarking was encouraged across the organisation at a service level in previous years its use is now much more targeted. Benchmarking is central to the comparison of procurement tenders, determining project deliverables and is extensively used when setting fees.
- 3.18 looking forward, during 2014/15 as the new constitution and organisational arrangements bed down it will be essential to ensure that the governance framework remains robust, with more emphasis on combined assurance.

4. THE CONSTITUTION

- 4.1 The Council has regularly reviewed and matched its governance structures and processes to Council-wide priorities, to ensure the principles of good governance are applied throughout the Council. Major work was undertaken on the Constitution 2013-14, to ensure alignment with the Council's cooperative commissioning principles.
- 4.2 The Council's Constitution sets out the responsibilities of both Members and Senior Officers. In particular the Council has identified the six statutory posts as follows:
- Head of Paid Service - Chief Executive
 - Chief Financial (Section 151) Officer – Strategic Director of Enabling
 - Monitoring Officer – Director of Corporate Affairs
 - Director of Children's Services – Strategic Director of Commissioning
 - Director of Adult Social Services – Strategic Director of Commissioning
 - Statutory Scrutiny Officer - Head of Democratic Services and Scrutiny
- 4.3 The Constitutional Working Group, chaired by the Director of Corporate Affairs, meets regularly throughout the year to review the constitution with the Chief Whip, other Councillors and officers from within Corporate Affairs to give the Council confidence that its constitution remains robust, up to date and compliant with all relevant statutory instruments.
- 4.4 The Constitution Working Group began in 2011/12 to assess the Council's Constitution in light of its cooperative ambitions and this work has continued through 2013/14 to reflect both the implications of the Localism Act (2011) and the structures and governance required by a Cooperative Council. Work was also undertaken to ensure compliance with the access to information arrangements. Papers for all Council and Committee meetings are in the public domain and are freely available on the Council's web site. Furthermore, a public database of all proposed officer decisions involving expenditure over £100k is maintained (proposed decisions are published with five clear days' notice, and also when the decision is taken). All members of the Council are automatically notified when these proposed decisions are logged.

5. FORWARD PLAN AND COMMITTEE DECISIONS

- 5.1 The Council uses a Forward Plan to manage the work programme and decisions of the Cabinet and Scrutiny Committee. Cabinet, Strategic Board and Operations Board provide strategic leadership in the overall co-ordination of Council policies, strategies and service delivery. This is supported by a scrutiny function focusing on all public service functions in the borough.
- 5.2 During 2013/14 there was one overarching Overview & Scrutiny Committee with five Scrutiny Sub- Committees which can establish ad-hoc commissions. They review or scrutinise decisions made and make reports and recommendations on matters which are the responsibility of the Council or which affect the local area. Through doing this they allow backbench Councillors and residents of Lambeth to have a greater say in Council matters. Our scrutiny arrangements are currently being reviewed for 2014/15.
- 5.3 The Council also has committees which oversee its regulatory functions, i.e. those concerning licensing and planning applications. The Standards Committee reviews and oversees Councillor training and is responsible for assessing and investigating complaints about members' conduct.

- 5.4 The Corporate Committee performs the 'audit committee' role through its oversight and monitoring of Council corporate governance activities including internal audit, counter fraud, external audit, financial performance and reporting, risk management and whistle blowing. Its terms of reference, structure, composition and work programme have been developed with reference to the guidance issued by CIPFA in 2005, "*Audit Committees: Practical Guidance for Local Authorities*" and the *CIPFA Toolkit for Local Authority Audit Committees (2006)*.

6. COMPLIANCE WITH LAWS AND REGULATIONS

- 6.1 Under the general duty set out in the Equality Act 2010 the Council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good community relations. The council Equalities Objectives are set out in the Community Plan and were defined through consultation with citizens. This demonstrates that we do not see equalities as being an add-on to our activities, but instead that it is at the heart of what we do. All new and revised policies and projects must complete an Equalities Impact Assessment to demonstrate they have considered the impact on citizens and any mitigation needed to reduce negative impacts.

- 6.2 Ensuring compliance with established policies, procedures, laws and regulations involves a range of measures by the Council which include:

- Notification of changes in the law, regulations and practice to Clusters
- Awareness, understanding and training carried out by internal officers and external specialists
- The drawing up and circulation of guidance and advice on key procedures, policies and practices
- Formal legal and financial clearance of all decision-making reports
- Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Strategic Director of Enabling) and the Monitoring Officer (Director of Corporate Affairs)

- 6.3 The Council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has a range of counter fraud policies and a whistle blowing procedure in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way. Allegations are investigated independently by Internal Audit and reported regularly to the Corporate Committee. The Committee ensures that the corrective action taken is robust.

- 6.4 A Procurement Board is in place to review procurement activity at the procurement strategy and award stages of the process, as set out in the Lambeth Contract Standing Orders. The Procurement Board provides a peer group assessment and challenge for procurement activity valued at £100,000 and greater. Procurement at all financial levels is monitored as part of the Continuous Audit Monitoring programme.

- 6.5 The Council has a clear two stage process for handling complaints. This is supported by the Corporate Complaints Policy. The Policy sets out clear guidance on logging, handling and monitoring complaints at all stages of the complaints process and for external enquiries from the Local Government Ombudsman. The aim of the complaints process is to drive service improvement across the Council by highlighting good practice and identifying lessons learnt from complaints.

7. REVIEW OF EFFECTIVENESS

- 7.1 The Council is responsible for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

- 7.2 The AGS for 2013/14 has been compiled by the Risk Manager in consultation with officers from across the Council, taking account of the changes which have occurred in Council structure during the year. This has included responses from the relevant officers to the actions to deal with significant issues identified in the previous year's Statement. The draft AGS has been considered by the Finance Management Working Group, Enabling Leadership Team and Operations Board, before being presented to the Corporate (Audit) Committee for approval with the draft Annual Accounts.

- 7.3 Officers drew on the recommended good practice questions from a number of sources (CIPFA, Audit Commission, IPF, SOLACE, and PwC) aligned to the Council's Assurance Framework. The Local Code of Governance for Lambeth was updated, as appropriate, and a common process used to capture the information required to inform the Head of Internal Audit's Annual Report and AGS.

- 7.4 Given the changes in the organisation's structure in 2013/14 from departments to clusters and the move towards a cooperative commissioning approach, Strategic Directors and Directors provided assurance statements covering their areas of responsibility.

8. INTERNAL AUDIT ANNUAL OPINION

- 8.1 In accordance with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisations framework of governance, risk management and control (i.e. the organisations system of internal control). The opinion does not imply that Internal Audit have reviewed all risks relating to the organisation.
- 8.2 Based on the work completed, the Head of Internal Audit and Counter Fraud believes that while the level of assurance on key financial systems and other risk based reviews remains broadly similar to the previous year, the Council has maintained an adequate control environment during 2013/14. However, there is some risk that the system will fail to meet management's objectives; the organisation needs to improve the adequacy effectiveness of governance, risk management and control as it embeds the new organisational structure and cooperative commissioning approach and delivers further significant savings.
- 8.3 The key factor contributing to the opinion is the lack of clarity surrounding governance arrangements, roles and responsibilities and accountability. This is recurrent theme across our audit programme and was noted in the reviews of Change Management, Risk Management, Governance, Budget Monitoring, Public Health and Management Information.
- 8.4 The Council has to secure savings of £90m over the three year period from April 2015 and has already embarked on significant transformation and change programmes, the embedding of the Cooperative Council approach and a whole organisation restructure. While it is important for the organisation to be flexible and agile to ensure that these changes are successfully embedded and savings are delivered, it is also vital that lines of responsibility and accountability are clear, both during the transition and in the new target operating model. This needs to include an effective framework for providing assurance (often referred to as the three lines of assurance) to senior management, Members and citizens: service management, corporate/senior management oversight and independent assurance provided by Internal Audit.
- 8.5 The opinion takes account of the work undertaken by the Internal Audit and Counter Fraud function. This has included audits in a number of areas receiving positive risk ratings: Schools Monitoring, Emergency Support Scheme, Traded Services for Schools, Housing Support and Housing Allocations (all Low Risk); Highways, Financial Assessments, Welfare Reform, Management Information, Governance, Oracle: Data Quality, IT Contingency and Back up (all Medium Risk). However, we have identified areas for development including: Software Asset Management, Public Health (draft), Change Management (draft), Section 20: Consultation with Tenants (draft), Highways contract review, Youth Offending Service, Business Continuity and Risk Management.
- 8.6 15 key financial systems are audited via the continuous auditing programme. The assessment for nine systems remained unchanged with no deterioration in any systems from the previous year. Overall in 2013/14, seven systems have been assessed as Low Risk, seven as Medium Risk and one as High Risk. This compares with six Low Risk, four Medium Risk and five High Risk systems in 2012/13, representing a slight improvement, with the rating for 6 systems showing improvement and none deteriorating. However, one of the key themes noted from our testing is that some controls have changed or ceased to be performed, due to movements in teams or resource constraints during the past year. We are satisfied that on the whole, the removal or cessation of controls does not expose the Council to additional risk but this needs to be monitored to ensure that performance is maintained.
- 8.7 Given the risks presented via the significant changes being delivered through a number of programmes and projects and further cost reduction activity across the Council senior management needs to find a way to address these areas for development, whilst continuing to closely monitor the operation of the Council's control environment through the transformation and change processes. It is also important that effective mechanisms for learning lessons from these projects and programmes are embedded; this is a consistent theme across our projects and programmes audits. In continuing to provide ongoing robust assurance on the control environment, Internal Audit will need management's support to ensure that reviews are undertaken as planned and management responses are prompt and appropriate.
- 8.8 The integrated counter fraud strategy continues to promote a proactive focus on reducing losses and combating fraud. Reactive investigations continue to achieve successful outcomes. The proposed transfer of benefit investigations to the DWP to create a Single Fraud Investigation Service will take place on 1 Feb 2015. The Counter Fraud function continues to be successful in tackling housing fraud and has secured additional funding from the Housing Revenue Account for counter tenancy fraud. The Counter Fraud team have also been successful in bidding for funds for fraud investigations from DCLG and MoPAC and developing capacity to recover assets and money obtained through fraud against the Council.

Combined Assurance

- 8.9 Combined Assurance may be described as a co-ordinated approach by all assurance providers to efficiently and effectively provide a comprehensive assurance position on the Council's internal controls and risk environment. During the latter part of 2013, audit, risk, performance and finance colleagues worked on a framework to implement a combined assurance approach across the Council's functions. Although still evolving in format, an

initial report was presented to Operations Board in the summer of 2014 reflecting on 2013/14, and further reports covering 2014/15 are timetabled, starting with a half-year view.

- 8.10 The Combined Assurance approach embraces the Council's cooperative behaviours of ownership and leading and engaging, and encourages and enables managers to take ownership of the assurance provided on their areas of responsibility. Subsequently, they are able to challenge potentially excessive review or poor assurance ratings.
- 8.11 By agreeing to a co-ordinated approach, assurance activities will focus on key risk exposures, thus minimising disruptions. Fewer resources will be required to produce assurance data reports as these may be available via a specialist function such as corporate Risk Management team.

9. SIGNIFICANT GOVERNANCE ISSUES AND ACHIEVEMENTS 2013/14

- 9.1 This year has been a period of change and increasing financial pressures. Despite this challenging environment, there have been achievements and improvement in the Council's governance arrangements. Where we have identified areas for further improvement (see below) we will continue to take the necessary action to implement changes that will further develop our governance framework.

Significant issue 2013/14 – data security breaches

- 9.2 During the first and third quarter of 2013/14 five instances of data security breaches in child protection data were reported internally, leading to an internal investigation jointly led by the Head of Internal Audit and Counter Fraud and the Information Governance Manager. The investigation report, which contained short, medium and long term recommendations, was agreed with the Council's Strategic Directors, who agreed a range of management action to address the findings. This included identifying and reviewing other areas of the Council where sensitive personal data is handled to ensure that data is being managed appropriately. This exercise has been completed and returns are currently being reviewed. Other actions agreed are also in the process of being implemented. The breaches were voluntarily reported to the Information Commissioner, advising them of the internal investigation.

Significant issue 2013/14 – housing works in the housing programme, and value for money considerations

- 9.3 Lambeth is implementing an extensive programme of improvement schemes, including the Lambeth Housing Standard, but in several instances during consultation with tenants and leaseholders, there has been significant feedback on outline specifications, indicating that proposed designs weren't felt to be the most suitable, and that estimated costs were too high. There are a variety of contributing factors giving rise to this feedback, including an approach to contracting that starts with a "maximum agreed price" estimate of costs and works it down as the specification is refined, secondly, a poorly communicated apportionment of overall project costs, and, finally, competing interests, where the Council wants to invest in long-term engineering solutions (which may cost more), whereas leaseholders may be satisfied with a cheaper short-term solution.
- 9.4 Prior to 31 March 2014, the Council, via its Arm's Length Management Organisation Lambeth Living, was implementing an approach to contracting which included "design and build", which states the objective to the contractor in terms of outcome to be achieved. This approach therefore placed the responsibility for working up the outline specification upon which estimates of costs were issued on the contractor. Although this was an approach to contracting that has been widespread in the sector, it appears to have had its drawbacks due to its iterative nature at arriving at a final specification, and theoretically allowing the possibility of a contract to be over-specified and hence over-priced.
- 9.5 There is also the possibility that quality assurance arrangements over repairs work have not been as robust as they ought to have been, with the risk that some work that has been completed has not been to a sufficiently high standard, and remedial actions have not occurred. Internal Audit investigations, as commissioned by the Chief Executive and Corporate Committee, have very recently provided an overall *draft* rating of "critical risk" on arrangements with one contractor in particular. Being at draft stage, Lambeth Living management has not yet had the opportunity to formally respond, but the Council's expectation is that response will be robust.
- 9.6 Ultimately, the Council recognises that the volume of feedback and complaints from tenants and leaseholders has necessitated further action to secure improvements. As a direct result of the Council chairing a review of leaseholder concerns, the "design and build" approach has been replaced as from 1 April 2014 with greater upfront involvement from constituents, thus ensuring that initial consultation with tenants and leaseholders is based on a more precise specification in the first instance. In seeking to reach conclusion to some ongoing disputed proposed works, the Council has also offered to go to independent mediation, which has been taken up by representatives of two estates.

- 9.7 Furthermore, senior management within the Council is increasing its oversight of the major works programme (as implemented by Lambeth Living), which was formerly included in the monthly monitoring meeting. A new governance forum has been instigated, the Strategic Core Group for Capital Works, which met for the first time in November, and which will examine and scrutinise a new set of more detailed performance indicators for major works in the expectation of pinpointing where and how performance might be dipping below acceptable standards – and then to initiate corrective action. In parallel to this initiative, management across the Council and Lambeth Living will also take consideration of audit findings into account and provide appropriate response to ensure that controls and processes are functioning robustly.
- 9.8 Finally, it should be noted that housing will be reintegrated with the Council in the summer of 2015. To ensure there is effective leadership with Lambeth Living and a smooth transition of services back to the Council, a new Delivery Director for Housing Management is being recruited, who will double as Chief Executive of Lambeth Living.

Significant issue 2013/14 – S20 Leaseholder Income

- 9.9 During the closure of accounts in 2012/13 it was found that no invoices were raised by the Home Ownership Team in Lambeth Living for works completed in that year, although accruals had been made for income for this period in the Council's final accounts. This was raised as an area that required further investigation and internal audit carried out a review. The purpose was to review the design and effectiveness of controls and processes in place to ensure that charges to leaseholders are calculated accurately and that money due from leaseholders is promptly collected. This included reviewing progress against previous recommendations raised in a report issued in October 2013.
- 9.10 The review found that no invoices have been raised by the Home Ownership team for Section 20 qualifying works undertaken in either 2012/13 or 2013/14. Internal Audit has conducted a further review of this process, issued in August 2014, with overall risk-rating of high. Lambeth Living management has acknowledged the need to respond to findings, and are actively seeking to improve processes; the Council also undertakes to monitor billings and collections more robustly going forward.

Significant issue 2013/14 – Management of Member Enquiries, Freedom of information requests and complaints

- 9.11 In May 2013 the council changed the way it manages complaints, Members Enquiries (MEs) and information requests (under the Freedom of Information Act and Data Protection Act). This included replacing the corporate database, introducing the Contact Centre as the point of contact for all new enquiries, centralising the management of information requests and disbanding the localised Customer Relations Teams. These changes have had a significant impact on the Council and the relative performance of these services, with a decrease in the timeliness and quality of responses.
- 9.12 A review project, led by Guy Ware, Strategic Director Enabling, has been tasked with reviewing how the council manages MEs, complaints and information requests, and with developing an improvement plan. The project is looking at the issues of expectation, performance management and quality assurance and has identified three key areas of work (1) improving the culture and approach; (2) reviewing systems and processes; and (3) future strategy – corrective to preventative.
- 9.13 Actions taken so far include engagement with all key stakeholders to understand the issues and an extensive review of the current structures, processes, IT systems and staff responsibilities, tackling the backlog of overdue enquiries, all culminating in a high level summit to deliver key messages about the importance of dealing with enquiries. Further actions are planned for 2014/15 to maintain and improve performance in this area.

Significant achievement 2013/14 - Public Services Network accreditation

- 9.14 The Council achieved the Public Services Network (PSN) 2013/14 certification in January 2014. After a significant amount of work by the project team the Council has now achieved compliance against the PSN security standards - which are now subject to a strict zero tolerance approach regarding compliance. Retaining our PSN certification means that the Council can continue to access and share data securely with central government, including access to the DWP CIS system (amongst others).
- 9.15 **Making our systems more resilient:** After more than a year of extensive planning, teams across Business Transformation have successfully moved the council's core data centre from Ivor House to a new off-site location. Our data centre is now hosted in a new site that is waterproof, environmentally efficient and has resilient power, fire suppression and 24/7 security. The move assists the 'Your New Town Hall' project as this is the first step in removing ICT Services dependency on Ivor House.

10. PREVIOUS YEARS' SIGNIFICANT ISSUES

- 10.1 In previous years, **savings requirements, debt management, monitoring of third party organisations and framework for project and programme governance** have been reported as significant in respect of governance and control.
- 10.2 **Savings Requirements** – In 2011/12 the Finance and Scrutiny Committee requested that a separate budget savings tracker was produced to monitor progress on delivering savings in that financial year. This was continued in 2012/13. This was in addition to the normal budget monitor which is produced monthly. The Council's savings requirement for 2013/14 was £12.5m. During 2013/14 reporting on savings was fully incorporated into the monthly budget monitor which covers the overall achievement of the budget, budgetary pressures and mitigating actions. Their management and control remain an integral part of the Council's service and financial planning processes. Further planned audit work has commenced in 2013/14 to review budget monitoring arrangements in light of the changes in Council structure and the adoption of an outcomes-based budgeting approach.
- 10.3 **Debt Management** - The consolidated debt stood at £79.3m as at December 2013 with 59% (£47.5m) being debt which had been outstanding for over a year. The Continuous Audit Monitoring Report rated Accounts Receivable as a Green RAG status, with no exceptions found. The direction of travel in P1 2013/14 compared to P3 2012/13 is an improvement. For council tax collection, the Continuous Audit Monitoring report again gave a green RAG status and the few exceptions found did not have an effect on debt collection.
- 10.4 **Monitoring of Third part Organisations** – The council continues to closely monitor the Tenant Management Organisations since it took over responsibility for this role from the Arms Length Management Organisations, Lambeth Living and United Residents Housing. Internal Audit, through their contract with PwC, were commissioned by the TMO Client Team to conduct Internal Audit Health Checks at all remaining TMOs within the borough. The reviews have been completed for all the TMOs with the TMOs providing their formal responses and final reports being issued. The reviews concluded that the control environment had improved at six of the eight TMOs, and had only deteriorated at one TMO.
- 10.5 Following concerns raised by the TMO Client Team with Internal Audit regarding financial management and governance at PACCA TMO, a special review was conducted by PwC, with the final report being issued in December 2013. As a result of that review and other matters identified by the TMO Client Team, a Supervision Notice was placed on the organisation which was due to come into effect on 6 January 2014. An arbitration hearing between the Council and PACCA is scheduled for 8/9 December 2014, and a decision is expected by the end of the December 2014 from the arbitrator.
- 10.6 **Project and Programme Governance** - Internal Audit has undertaken a number of programme and project assurance reviews during 2013/14 which cover a number of key projects and programmes across the Council. Corporate Committee held a challenge session in early 2014 on programme and project management, with officers from across the Council attending. The Committee recognised the improvements which had been made promoted the sharing of good practice and specialist resources as the Council continues to change its structure and drive out further savings. Due to the updating of the programme management framework and ongoing implementation of risk mitigation and audit recommendations, these issues have been managed to an acceptable level and are no longer significant.
- 10.7 The **Youth Offending Service – Core Case Inspection outcome**, which was also reported as a significant issue, has seen a number of key improvements. However a follow up audit conducted during 2013/14 showed that two high risks remain within this area, and as such this issue remains significant for 2013/14.

11. ASSURANCE SUMMARY

- 11.1 Good governance is about running things properly. It is the means by which the Council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making: collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to showing that public money is well spent.
- 11.2 From the review, assessment and monitoring work undertaken and the ongoing work of internal audit we have reached the opinion that the Council has maintained an adequate control environment during 2013/14, but the improvements contained within sections 9 and 10 need to be implemented to ensure an adequate control framework remains in place for 2014/15.
- 11.3 We confirm, to the best of our knowledge and belief, that this statement provides an accurate and fair view.

SIGNED: Lib Led 12/12/14.
Leader of the Council on behalf of London Borough of Lambeth

SIGNED: [Signature] 16/12/14.
Chief Executive on behalf of London Borough of Lambeth

EXPLANATORY FOREWORD

The Council's Statement of Accounts for the year 2013/14 has been prepared in accordance with the Accounts and Audit Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2013/14. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

The accounts comprise the following: -

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Group Accounts

The Council wholly owns an arm's length management organisation (Lambeth Living Ltd) which manages its housing stock. However it is the Council's view that there is no requirement to prepare group accounts because Lambeth Living acts as an agent of the Council, having no material assets of its own, and earning no material income other than the management fee that the Council pays it. Thus, any group accounts would not be significantly different from those of the single entity.

REVIEW BY THE CHIEF FINANCE OFFICER

Lambeth Council continues to face one of the most challenging periods of financial planning in its history. 2013/14 was the third year of large budget cuts and this trend is expected to continue for several more years. As a result we will have to reduce spending by a further potential £90.4m over the three years 2015/16 to 2017/18. At the same time, the Council's administration maintained its commitment to residents to keep our council tax as low as possible and Lambeth's Council Tax has been frozen for six consecutive years.

In order to address these significant financial pressures the Council introduced the concept of cooperative commissioning, and has undertaken extensive restructuring to "clusters" based around commissioning and delivery, in order to better support that approach, thus moving away from the traditional set-up based only on service provision. Cooperative commissioning aims to involve citizens more directly, and to ensure that the assets and strengths that exist within the community are recognised as having a key role in the delivery of outcomes, working alongside council officers, contractors where appropriate and other stakeholders within the community.

In 2013 we introduced a new process of "Outcome-Based Budgeting (OBB)" to help support the Council's commissioning approach and address the huge reduction in available resources. This process aligned resources to the thirteen outcomes identified in the Community Plan. The new Cabinet has established three Outcome Panels to lead the work of commissioning and delivering outcomes under three headline areas, ultimately with a view to securing the best possible deployment of the resources we will have available.

Summary of financial performance in the year

After another challenging year for the Council in 2013/14, the General Fund balance stands at £24.9m, a small increase on last year's balance of £24.7m. At the same time, earmarked reserves have fallen slightly from £68.0m to £67.3m.

The Housing Revenue Account ("HRA") gave a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £7.8m together with total earmarked reserves of £23.2m, up from £11.2m.

2013/14 Revenue Outturn – General Fund

The 2013/14 general fund budget was £332.7m and incorporated previously agreed savings of £12.5m. The overall outturn position was an underspend of £0.2m. However, below this top-level figure, it should be noted that there was an overspend in Services of £4m, which was offset by an underspend in corporate items of £4.2m. The outturn by cluster is as below:

Cluster	Annual Budget (final)	Adjusted Outturn		Variance
	£000's	£000's	£000's	£000's
Commissioning	33,823	33,378		(445)
Delivery	274,115	280,374		6,259
Enabling	3,197	(567)		(3,764)
Co-operative Business Development	(1,071)	2		1,073
Clusters Sub-total	310,064	313,187		3,123
No Recourse to Public Funds	2,904	5,743		2,839
Drawdown from one-off NRPF reserves	2,000	0		(2,000)
Services Sub-total	314,968	318,930		3,962
Corporate Items	334	(3,836)		(4,170)
Total - General Fund	315,302	315,094		(208)

Please note that the Council's original budgets are prepared on the basis of statutory provisions. In arriving at the final budgets reported above, adjustments are made to convert to prepare substantially under the accounting policies used to prepare the financial statements so that the conversion process has no impact on the cluster's performance against budget.

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

The Commissioning outturn of £0.5m underspend is mostly attributable to the Communities service group, where Leisure has generated surpluses.

The Delivery overspend of £6.3m, is principally due to the following areas:

- Adult Social Care – There was an overspend of £1.7m, primarily due to the demand for higher cost placements increasing over the year for Physical Disabilities and the total number of clients supported in Mental Health increasing over the year.
- Children's Social Care – There was an overspend of £6.5m due primarily to the following reasons:
 - The demand for high cost placements for children with complex needs and more placements than the Children Looked After budget can support;
 - The increasing use of agency staff for Children in Need;

- Legal costs – The increase in number of proceedings is a London/National issue. There is an increase in threats of judicial review, which has resulted in the service using additional counsel and experts in assessments resulting in higher costs; and
 - Special Education Needs (SEN) – Increased pupil numbers in non-maintained special provision which cannot be met locally.
- Temporary Accommodation – There was an overspend of £4m, because of the increase in households presenting as homeless and the reducing availability of leasehold accommodation leading to the increased use of bed and breakfast. This was partially offset by underspending of £1.1m in other types of accommodation.
 - Libraries – There was an overspend of £1.1m as the service adjusts to deliver savings.
 - Environment Services – There have been one-off factors giving rise to an underspend of £2.6m.

The Enabling underspend of £3.8m is due to increased levels of vacancies in expectation of restructuring, and a higher rebate than budgeted on agency staff, since numbers have increased while awaiting restructuring. The Co-operative Business Development outturn was £1.1m overspend due mostly to unachievable income targets in the Events Team.

The No Recourse to Public Funds overspend of £0.8m is made up of an overspend of £2.8m offset by a contribution from reserves of £2m. Corporate Items and movements in reserves has a net underspend of £4.1m as a result of lower than expected contract inflation requiring central support, increased interest from investments and lower than expected increases to pension costs, along with other smaller items.

2013/14 Revenue Outturn – Housing Revenue Account

The Housing Revenue Account gave a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £7.8m together with total earmarked reserves of £23.2m.

The contributions to reserves during 2013/2014 of £12.1m were funded primarily from:

- Better than expected income from hostels
- Increased income from leaseholders as a result of actual bills being higher than budgeted
- Lower than budgeted cost of borrowing due to alternative funding streams being utilised
- Underspend on Housing Development and Strategy as a number of projects have been delayed
- Private Finance Initiative financing to set up the payments smoothing mechanism to match grant funding with the costs of the scheme

2013/14 Capital Outturn

In 2013/14, Capital Expenditure totalled £192.7m against a budget of £186.0m, representing an overspend of £6.7m or 3.5%. Major areas of spend included:

- Refurbishment of properties to Lambeth Housing Standard (£83.9m);
- Expansion and Enhancement of Primary Schools (£33.0m);
- Resurfacing of Footways and Carriageways (£13.1m); and
- Bringing Empty Properties into Use (£10.4m)

Disposals and Borrowing

The disposal target for the current financial year 2013/14 set in the February Budget Report 2013 was £24.2m. By the end of the year to the 31st March, we had realised £59.7m, achieving an additional £35.5m.

Disposals are used to finance capital investment, as is long-term borrowing, which now stands at £412.7m. It may be helpful to understand that of £543m invested in capital projects over the last 4 years, £92m was financed through internal borrowing (primarily to support investment in the Lambeth Housing Standard), and £104m through disposals.

Managing the Risk

There still remains an expectation that savings of £90.4m are required over the period to 2017/18, and there is a real risk that a shortfall may occur, due to slippage in implementation of transformation projects, or due to increasing demands on services. To mitigate this risk, the Council maintains a General Fund balance, now at £24.9m, which is within the range of between 5% and 10% which I have recommended as the Council's Section 151 Officer. It is important to maintain this 'buffer' at prudent levels, as any failure to deliver future years' savings will have to be met from this fund.

We also maintain earmarked reserves, some of which are also explicitly in place to help protect services from immediate financial risk, such as the Insurance Fund. Other reserves are in place for investing in transformation and assets to safeguard priorities in the longer term.

Guy Ware
Strategic Director – Enabling

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

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

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

In preparing this statement of accounts, the CFO has:

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


The CFO has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Chief Financial Officer

I hereby certify that the statement of accounts presents a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

This Statement is authorized for issue on 16th December 2014



16/12/14.

Guy Ware
Strategic Director – Enabling
Chief Financial Officer
London Borough of Lambeth

Approval of the Accounts

I certify that the audited Statement of Accounts has been approved by resolution of the Audit Committee of the London Borough of Lambeth in accordance with the Accounts and Audit Regulations 2011.



Councillor Adrian Garden
Chair – Corporate Committee

16/12/2014

Independent Auditor's Report to the Members of the London Borough of Lambeth

Opinion on the Authority financial statements

We have audited the financial statements of the London Borough of Lambeth for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes numbered 1 to 35, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance and the related notes numbered 36 to 46 and Collection Fund and the related notes numbered 47 to 49. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the London Borough of Lambeth in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the London Borough of Lambeth as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

Opinion on the pension fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2014 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes

numbered 50 to 69. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of the London Borough of Lambeth in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the Authority those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2014 and the amount and disposition of the fund's assets and liabilities as at 31 March 2014, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and

- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.


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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, the London Borough of Lambeth put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack and until we have completed our consideration of matters brought to our attention by local authority electors. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Susan Barratt (Engagement Lead)
for and on behalf of Deloitte LLP
Appointed Auditor
Reading, United Kingdom

16 DECEMBER 2014

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

Notes	Year Ended 31 March 2014			Year Ended 31 March 2013		
	Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	129,043	(117,181)	11,862	133,695	(128,400)	5,295
Cultural and Related Services	27,273	(5,990)	21,283	18,912	(3,865)	15,047
Environmental and Regulatory Services	44,936	(6,151)	38,785	48,059	(6,824)	41,235
Planning Services	12,071	(5,340)	6,730	13,785	(4,513)	9,272
Children's and Education Service	388,874	(275,446)	113,428	358,913	(258,153)	100,760
Highways and transport services	34,618	(28,966)	5,652	41,679	(29,770)	11,909
Local authority housing (HRA) – (reversal of revaluation loss)/ revaluation loss on dwellings	(92,623)	0	(92,623)	7,120	0	7,120
Local authority housing (HRA) - other	138,890	(180,019)	(41,129)	134,011	(172,476)	(38,465)
Housing services (Non HRA)	195,599	(186,711)	8,888	217,501	(202,687)	14,814
Adult social care	138,624	(22,990)	115,635	138,196	(22,107)	116,089
Public health	29,960	(31,467)	(1,507)			
Corporate and democratic core	1,884	(3,829)	(1,945)	7,725	(4,986)	2,739
Non distributed costs – other	45	0	45	907	0	907
COST OF SERVICES	1,049,194	(864,089)	185,105	1,120,503	(833,781)	286,722
Levies			3,926			3,188
Payments to the Government Housing Capital Receipts Pool			4,965			144
(Gains)/losses on the Disposal of Non-Current Assets			(42,831)			(22,053)
Adjustment for schools transferring to academy status			0			56
Other income			73			0
Other Operating (Income)/Expenditure			(33,866)			(18,665)
Interest Payable and Similar Charges - other			29,977			27,967
Net interest on the net pensions liability			28,317			26,221
Investment Interest income			(2,586)			(3,715)
Financing and Investment Income and Expenditure			55,708			50,473

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CONTINUED)

		Year Ended 31 March 2014	Year Ended 31 March 2013
	Notes	Net Expenditure £'000	Net Expenditure £'000
Taxation and Non-Specific Grant Income	12c	(414,319)	(406,573)
		<hr/>	<hr/>
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES		(207,372)	(88,043)
		<hr/>	<hr/>
Items not be reclassified subsequently to the Surplus or Deficit on the Provision of Services			
Loss / (Gain) on revaluation of non-current assets	31	(53,072)	(12,338)
Actuarial losses / (gains) on pension assets / liabilities	31	(55,645)	84,871
		<hr/>	<hr/>
Other Comprehensive (Income) and Expenditure		(108,717)	72,533
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		(316,089)	(15,510)
		<hr/> <hr/>	<hr/> <hr/>

MOVEMENT IN RESERVES STATEMENT

The statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (that is 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 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. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The first two tables provide movements on individual usable reserves (for 2012/13 and 2013/14) with one column for all of the unusable reserves.

2013/14	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserves £'000	LMS Balances £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2013 brought forward	(24,666)	(68,039)	(9,996)	(11,151)	(15,689)	(53,916)	(13,468)	(44,944)	(241,869)	(925,745)	(1,167,608)
Movement in reserves during 2013/14											
(Surplus) or deficit on the provision of services	(18,046)	0	(189,324)	0	0	0	0	0	(207,370)	0	(207,370)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	(108,719)	(108,719)
Total Comprehensive Income and Expenditure (CIES Pg 18-19)	(18,046)	0	(189,324)	0	0	0	0	0	(207,370)	(108,719)	(316,089)
Adjustments between accounting basis & funding basis under regulations (Note 31)	15,593	0	179,392	0	0	(22,178)	10,341	(1,537)	181,605	(181,605)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(2,453)	0	(9,932)	0	0	(22,178)	10,341	(1,537)	(25,759)	(290,324)	(316,089)
Transfer to/from Other Reserves (Note 30c)	2,955	0	1,996	(1,996)	(2,955)	0	0	0	0	0	0
Transfers to/from Earmarked Reserves (Note 30c)	(710)	710	10,089	(10,089)	0	0	0	0	0	0	0
(Increase)/Decrease in 2013/14	(208)	710	2,153	(12,085)	(2,955)	(22,178)	10,341	(1,537)	(25,759)	(290,324)	(316,089)
Balance at 31 March 2014 carried forward	(24,874)	(67,329)	(7,843)	(23,236)	(18,644)	(76,094)	(3,127)	(46,481)	(267,628)	(1,216,069)	(1,483,697)

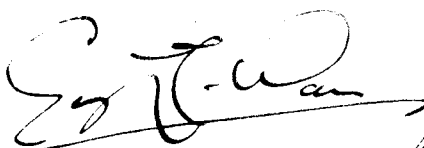
2012/13	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserves £'000	LMS Balances £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012 brought forward	(25,202)	(60,154)	(5,578)	(1,770)	(14,005)	(34,218)	(4,353)	(41,752)	(187,031)	(965,076)	(1,152,108)
<u>Movement in reserves during 2012/13</u>											
(Surplus) or deficit on the provision of services	(39,281)	0	(48,763)	0	0	0	0	0	(88,043)	0	(88,043)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	72,533	72,533
Total Comprehensive Income and Expenditure (CIES Pg 18-19)	(39,281)	0	(48,763)	0	0	0	0	0	(80,044)	72,533	(15,510)
Adjustments between accounting basis & funding basis under regulations (Notes 29-31)	30,247	0	34,963	0	0	(19,698)	(9,115)	(3,192)	33,205	(33,205)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(9,034)	0	(13,801)	0	0	(19,698)	(9,115)	(3,192)	(54,840)	39,328	(15,510)
Transfer to/from Other Reserves (Note30c)	1,684	0	0	0	(1,684)	0	0	0	0	0	0
Transfers to/from Earmarked Reserves (Note 30c)	7,884	(7,884)	9,381	(9,381)	0	0	0	0	0	0	0
(Increase)/Decrease in 2012/13	534	(7,884)	(4,420)	(9,381)	(1,684)	(19,698)	(9,115)	(3,192)	(54,840)	39,328	(15,510)
Balance at 31 March 2013 carried forward	(24,668)	(68,038)	(9,998)	(11,151)	(15,689)	(53,916)	(13,468)	(44,944)	(241,871)	(925,748)	(1,167,617)

BALANCE SHEET

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

	Notes	31 March 2014 £'000	31 March 2013 £'000
Property, Plant & Equipment	14a	2,405,866	2,140,176
Heritage Assets		1,068	888
Intangible Assets	14b	4,342	2,107
Long-Term Investments	15d	13,035	54,338
Long-Term Debtors		425	446
LONG TERM ASSETS		2,424,736	2,197,955
Inventories		5	0
Short Term Debtors	16	123,094	94,498
Short Term Investments	15a	249,173	137,920
Cash and Cash Equivalents	35	71,255	96,294
CURRENT ASSETS		443,527	328,712
Bank overdraft (Cash and Cash Equivalents)	35	(58,734)	(51,722)
Short Term Borrowing	15a	(9,013)	(7,874)
Short Term Creditors	17	(176,559)	(143,203)
Provisions	23	(10,248)	(6,425)
Grants Receipts in Advance - Revenue	18	(10,422)	(9,940)
Grants Receipts in Advance - Capital	19	(18,975)	(12,629)
CURRENT LIABILITIES		(283,951)	(231,793)
Long Term Creditors	15a	(79,200)	(53,748)
Provisions	23	(2,610)	(3,732)
Long Term Borrowing	15a	(412,718)	(412,717)
Other Long Term Liabilities - IAS19 Pension Liability	26	(591,901)	(646,771)
Grants Receipts in Advance - Capital	19	(14,186)	(10,289)
LONG TERM LIABILITIES		(1,100,615)	(1,127,257)
NET ASSETS		1,483,697	1,167,617
Total usable reserves	30	(267,628)	(241,872)
Total unusable reserves	31	(1,216,069)	(925,745)
TOTAL RESERVES		(1,483,697)	(1,167,617)

These financial statements replace the unaudited financial statements certified by the Strategic Director for Enabling (the Chief Financial Officer) on 9th July 2014.



10/12/14

Guy Ware
Strategic Director – Enabling
Chief Financial Officer
London Borough of Lambeth

CASH FLOW STATEMENT

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

Year Ended 31 March	Notes	2014 £'000	2013 £'000
Net (surplus) or deficit on the provision of services		(207,372)	(92,787)
Adjustments to net surplus or deficit on the provision of services for non cash movements		(1,328)	(106,740)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		136,760	111,430
Net cash flows from Operating Activities		(71,940)	(88,097)
Investing Activities	32	101,378	65,887
Financing Activities	33	2,613	4,866
Net (increase) or decrease in cash and cash equivalents		32,051	(17,344)
Cash and cash equivalents at the beginning of the reporting period		(44,572)	(27,228)
Cash and cash equivalents at the end of the reporting period	35	(12,521)	(44,572)

Adjustment of Net (Surplus) on Provision of Services	2013/14 £'000	2012/13 £'000
Net (Surplus) or Deficit on the Provision of Services	(207,372)	(92,787)
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>		
Depreciation and amortisation	(43,398)	(45,150)
Impairment and downward valuations	79,613	(15,114)
(Increase)/Decrease in Creditors	(35,347)	148
Increase/ (Decrease) in Debtors	23,153	(27,442)
(Decrease)/Increase in Inventories	5	0
Accumulated Balances of Schools transferred to Academy Status	0	56
Other adjustments	89	(69)
Non Cash PFI expenditure	(4,191)	(5,475)
Adjustments for effective interest rates	(1,580)	0
Pension Liability	(776)	325
Contributions to/(from) Provisions	(2,702)	5,369
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(16,194)	(19,388)
	(1,328)	(106,740)
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	77,051	69,973
Proceeds from the sale of property plant and equipment, investment property and intangible assets	59,709	41,457
	136,760	111,430
Net Cash Flows from Operating Activities	(71,940)	(88,097)

NOTES TO THE ACCOUNTS (GENERAL)

1. Statement of Accounting Policies

A. Basis of Preparation

The Accounts and Audit (England) Regulations 2011 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2013/14, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code)
- the Service Reporting Code of Practice 2013/14 (SeRCOP)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

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

Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to - the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- 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. 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 the fair valuation of the following material categories of non-current assets and certain financial instruments:

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Existing use value for social housing
Property, Plant and Equipment: Other Land and Buildings	Existing use value
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none"> • quoted securities – current bid price • unquoted securities – professional estimate • unitised securities – current bid price • property – market value.

The Statement of Accounts has been adjusted to reflect events after 31 March 2014 and before the date the Statement was authorised for issue [date] only where the events provide evidence of conditions that existed at 31 March.

B. Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end. 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 either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance	Capital Adjustment Account
Intangible Assets	Amortisation and impairment		Capital Adjustment Account
Investment Properties	Movements in fair value		Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2013/14		Capital Adjustment Account

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2013/14 or were received in 2013/14 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2014) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit in respect of carrying amount. The sales proceeds are taken to the Capital Receipts Reserve.	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2013/14	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities (see Policy 10) 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 2013/14	Pensions Reserve
Council Tax	Accrued income from 2013/14 bills	Demand on the Collection Fund for 2013/14 plus share of estimated surplus at 31 March 2013	Collection Fund Adjustment Account
Business Rates	Accrued income from 2013/14 bills	Precept from the Collection Fund for 2013/14	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2014	No charge	Accumulated Absences Adjustment Account

C. Financial Instruments

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

Financial assets are classified into two types: loans and receivables and available-for-sale assets. During the current and prior year, the Council held only loans and receivables – these are assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables and financial liabilities are carried at their amortised cost. Annual debits and credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable and receivable are based on the carrying amount of the instrument, multiplied by its effective rate. For all the instruments that the Council holds, this means that the amount presented in the Balance Sheet is the outstanding principal repayable or receivable (plus accrued interest); and interest debited/credited to the CIES is the amount payable for the year according to the instrument agreement.

Changes in the fair value of financial assets that have fixed or determinable payments and are not quoted in an active market (loans and receivables) are not recognised in the Balance Sheet as they arise but are debited or credited to the Financing and Investment Income and Expenditure line in the CIES when the instrument matures or is sold. However, where loans and receivables become impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the carrying amount of the instrument is written down in the Balance Sheet to the present value of the revised future cash flows discounted at the original effective interest rate and the loss is debited to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES.

D. 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.

E. 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 (eg 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.

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.

F. 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).

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. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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.

G. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of SeRCOP. The total absorption costing principle is used – the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

H. Post-Employment Benefits

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

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

The NHS and Teacher's Schemes provide defined benefits to members. However, Scheme arrangements mean that liabilities for these benefits cannot be attributed to the Council. The Schemes are therefore accounted for as if they were

defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services and Public Health lines in the Comprehensive Income and Expenditure Statement is 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 4.3% (4.5% in 2012/13) which is based on the indicative rate of return available on a basket of AA-rated bonds with long terms to maturity (the iBoxx AA rated over 15 year corporate bond index)
- the assets of the Lambeth and London Pension Funds attributable to the Council are included in the Balance Sheet at their fair value as set out in Policy A.

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

- Service cost comprising:
 - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
 - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
 - net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Lambeth pension fund – not accounted for as an expense in the CIES

I. 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 (ie repairs and maintenance) is charged as an expense when it is incurred.

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

Certain categories of Property, Plant and Equipment are measured subsequently at fair value – see Policy A for details. Other assets (infrastructure, community assets and assets under construction) are carried at depreciated historical cost. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value 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 by:

- 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.

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 over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Useful Economic Lives

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

The periods over which assets are depreciated are determined by the valuer on an asset by asset basis and range from two to 999 years. In the absence of such a determination the useful lives in the table above apply.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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.

J. 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 – 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

K. 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.

L. Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service (or to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where they relate to pensions enhancements) at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

M. 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) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

IAS 19 (Note 26) has changed to require an enhanced breakdown of Fund Assets, as contained within the Pension Fund. The Council's Pension's Liabilities note has been transformed by a focus on risk analysis over lengthy disclosures. The separate Financing and Investment Income and Expenditure items for gross liabilities (interest cost) and gross assets (expected return on assets) were merged into a single net interest item and interest on plan assets is now calculated by applying the discount rate used to measure the defined benefit obligation and not the expected rate of return on investments.

This has increased pension interest costs and reduced other comprehensive income by £5 million. However, there has been no impact on the overall net liability for the Council.

N. 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 [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.

O. 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, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

P. Rounding

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

2. Critical Judgements and Assumptions

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

Items in the Council's Balance Sheet at 31 March 2014 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 bad debt provisions.

Critical judgements made in the Statement of Accounts are:

Future of Local Government

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

Bad Debt Provisions

Unless, there are compelling reasons for an alternative method, total collectible income is calculated by applying the average collection rates of aged debt on a year by year basis to the last 6 years of arrears. The difference between debt and collectible income becomes the amount of bad debt provision required.

Provisions and Contingent Liabilities

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

Insurance Fund

The Council holds a fund of £13m in total to act as a means to self-insurance. This is split between a consideration of £5.5m held in provisions to deal with post-1992 claims, which are deemed to be more robustly understood and quantifiable, and a reserve of £7.5m to deal with pre-1992 claims, which is based more on judgement as to a reasonable level to hold. These figures are informed by an actuarial valuation of liabilities, which suggested a total fund requirement of £16m.

Restructures and Redundancies

The Council has plans to make further savings in 2014/15 and beyond. A provision has not been made because a constructive obligation did not exist at 31 March 2014 as the Council had not communicated its decision to those affected in sufficient detail. Instead, the Council has set aside a prudent earmarked reserve intended to cover the future impact of decisions taken in 2014/15 regarding the future size and structure of the organisation.

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. At the balance sheet date, all assets with carrying value over £1 million are subject to a desktop valuation. The valuation in 2013/14 were carried out by an external valuer, Lambert Smith Hampton.

Service Concessions

The Council is deemed to control the services provided under the following PFI agreements. 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. The values are shown below: -

- Lilian Baylis School (£14.4m)
- Lambeth Lighting (£12.7m)
- Connected Learning (£0m)
- Waste Management (£2.02m)
- Home to School Transport Services (£1.2m)
- Myatt's Field North (£53.3m)

Group Accounts

The Council has considered the relationships it has with other entities, and has determined that Group Accounts do not need to be produced because, where the Council has control over other entities, the effect of preparing Group Accounts would not be material on the financial statements.

Pensions Liabilities

Estimation of the net liability to pay pensions depends on a number of complex judgements agreed with the Council's actuaries, Hymans Robertson LLP.

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

	Approx. increase to pension liability		Approx. increase to monetary amount	
	LPFA	Lambeth	LPFA	Lambeth
	%	%	£'000	£'000
1 year increase in member life expectancy	3	9	2,355	47,667
0.5% increase in salary increase rate	<	3	230	31,042
0.5% increase in pension increase rate	7	2	4,745	106,961
0.5% decrease in real discount rate	7	7	4,900	139,056

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

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

Property Valuations

Unless otherwise specified, the Council's valuers have assumed that properties are in a similar state of repair and condition as the last report. They also considered what changes should be applied to the last valuations to reflect changes in the property market during the year. Trends have been established by reference to information on the Acadametrics website (www.acadametrics.co.uk) and the Land Registry, Nationwide & Lloyds/HBOS web sites.

Lambert Smith Hampton adopted a 20% increase percentage for all of the Council's residential stock and equity share properties. There was a nil increase for hostels, housing offices, community properties, garages and parking spaces and surplus properties as rentals and yields have not changed to a material extent during the year.

Termination benefits

These are covered above under "restructures and redundancies."

3. Post Balance Sheet – Significant Change of Governance

It was decided in October to close Lambeth Living and reintegrate Housing Services back into the Council, subject to consultation. This will be effected in the summer of 2015. As at the date of sign-off, a new Delivery Director for Housing Management is being recruited, who will double as Chief Executive for Lambeth Living, thus ensuring smooth transition.

NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

3. Amounts Reported for Resource Allocation Decisions (Segment Reporting)

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across clusters. 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 cluster 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 clusters' performance against their cash limits. HRA amounts are not converted.

The income and expenditure of the Council's clusters and other groupings reported separately are recorded in the budget reports for the year are set out below. Other groupings are expenditure where there is no recourse to public funds (NRPF) and certain corporate items where budgets are not delegated to clusters (Corporate Items). The comparatives have been restated to reflect the new structure of the Council which came into effect on 1 May 2013.

3a. Cluster Income and Expenditure

2013/14	Commi- ssioning £'000	Delivery £'000	Enabling £'000	Business Develop- ment £'000	NRPF £'000	Corporate Items £'000	Total General Fund £'000	HRA £'000	Total Council £'000
Fees, Charges & Other Service Income	(10,594)	(94,638)	(20,579)	(823)	0	(5,273)	(131,907)	(172,323)	(304,230)
Government Grants	(29,443)	(253,125)	(274,773)	(32)	0	0	(557,373)	(7,729)	(565,102)
Total Income	(40,037)	(347,763)	(295,352)	(855)	0	(5,273)	(689,280)	(180,052)	(869,332)
Employee Expenses	8,314	243,809	37,688	6,407	400	1,677	298,295	7,302	305,597
Other Service Expenses	59,032	336,225	319,245	4,785	5,259	(240)	724,306	163,171	887,477
Support Service Recharges	6,069	48,103	(62,148)	(10,334)	84	0	(18,226)	9,735	(8,491)
Total Expenditure	73,415	628,137	294,785	858	5,743	1,437	1,004,375	180,208	1,184,583
Net Expenditure	33,378	280,374	(567)	3	5,743	(3,836)	315,095	156	315,250

2012/13	Commi- ssioning £'000	Delivery £'000	Enabling £'000	Business Develop- ment £'000	NRPF £'000	Corporate Items £'000	Total General Fund £'000	HRA £'000	Total Council £'000
Fees, Charges & Other Service Income	(4,426)	(95,781)	(17,925)	(701)	(1)	(7,146)	(125,980)	(166,193)	(292,173)
Government Grants	(228)	(240,046)	(301,175)	(37)	0	0	(541,486)	(6,763)	(548,249)
Total Income	(4,654)	(335,827)	(319,100)	(738)	(1)	(7,146)	(667,466)	(172,956)	(840,422)
Employee Expenses	8,614	234,181	37,433	6,993	332	0	287,553	3,542	291,095
Other Service Expenses	26,144	338,552	326,742	4,377	3,782	(616)	698,981	155,565	854,546
Support Service Recharges	(1,453)	36,770	(39,359)	(10,334)	0	0	(14,377)	9,430	(4,947)
Total Expenditure	33,305	609,503	324,816	1,036	4,114	(616)	972,157	168,537	1,140,695
Net Expenditure	28,651	273,676	5,716	298	4,113	(7,762)	304,691	(4,419)	300,272

3b. Reconciliation of Cluster Income & Expenditure to Cost of Services in the CIES

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the CIES.

	2013/14 £'000	2012/13 £'000
Net expenditure in the Directorate Analysis	315,251	300,273
Less: Amounts included in Directorate Analysis but not in Cost of Services	(134,645)	(23,453)
Add: Amounts not reported to management but included in Cost of Services	4,499	9,902
Cost of Services in CIES	185,105	286,722

3c. Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis	Analysis in Detail	HRA Statutory Mitigation Items	Amounts included in CIES but below Net Cost of Services	Amts not Reported to Mgt, but incl'd in Cost of Services	Diff between Amt reported on Accounting & Statutory Basis	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(304,230)	304,230	0	0	0	0	0	0	0
Customer and Client Receipts	0	(298,895)	0	0	0	0	(298,895)	73	(298,822)
Interest & Investment Income	0	(2,586)	0	2,586	0	0	0	(2,586)	(2,586)
Miscellaneous and Collection Fund estimates	0	(2,749)	0	2,749	0	0	0	0	(0)
Government Grants & CT Income	(565,106)	565,106	0	0	0	0	0	0	0
Government Grants	0	(565,106)	0	(88)	0	0	(565,194)	0	(565,194)
Capital Grants and Contributions	0	0	0	0	0	0	0	(64,462)	(64,462)
Non-Specific Government Grants	0	0	0	0	0	0	0	(20,336)	(20,336)
Income from Council Tax	0	0	0	0	0	0	0	(87,578)	(87,578)
Non-domestic rates redistribution	0	0	0	0	0	0	0	(241,942)	(241,942)
Total Income	(869,336)	0	0	5,247	0	0	(864,089)	(416,831)	(1,280,920)
Employee Expenses	305,599	386	(386)	0	(1,502)	0	304,097	0	304,097
Other Service Expenditure	887,480	(887,480)	0	0	0	0	0	0	0
Other Service Expenses	0	862,473	(45,337)	0	2,018	0	819,153	0	819,153
Support Service Recharges	(8,492)	0	0	0	6,947	0	(1,545)	0	(1,545)
Depreciation, Amortisation & Impairment	0	(749)	(71,761)	0	0	0	(72,510)	0	(72,510)
Interest Payments	0	18,480	0	(18,480)	0	0	0	29,977	29,977
Levies	0	3,926	0	(3,926)	0	0	0	3,926	3,926
LMS Adjustment	0	2,959	0	0	0	(2,959)	0	0	0
Net Interest on the Net Pensions Liability	0	0	0	0	0	0	0	28,317	28,317
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	4,965	4,965
(Gain) or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	(42,831)	(42,831)
Total expenditure	1,184,587	0	(117,484)	(22,407)	7,458	(2,959)	1,049,194	24,355	1,073,549
(Surplus) or Deficit on the Provision of Services	315,251	0	(117,484)	(17,160)	7,458	(2,959)	185,105	(392,477)	(207,372)

2012/13	Directorate Analysis	Analysis in Detail	HRA Statutory Mitigation Items	Amounts included in CIES but below Net Cost Of Services	Amts not Reported to Mgt, but incl'd in Cost of Services	Diff between Amt reported on Accounting & Statutory Basis	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income*	(292,171)	292,171	0	0	0	0	0	0	0
Customer and Client Receipts	0	(285,777)	0	0	0	0	(285,777)	0	(285,777)
Interest & Investment Income	0	(3,715)	0	3,715	0	0	0	(3,715)	(3,715)
Miscellaneous and Collection Fund estimates	0	(2,678)	0	2,678	0	0	0	0	0
Government Grants & CT Income	(548,249)	548,249	0	245	0	0	245	0	245
Government Grants	0	(548,249)	0	0	0	0	(548,249)	0	(548,249)
Capital Grants and Contributions	0	0	0	0	0	0	0	(57,241)	(57,241)
Non-Specific Government Grants	0	0	0	0	0	0	0	(45,317)	(45,317)
Income from Council Tax	0	0	0	0	0	0	0	(101,730)	(101,730)
Non-domestic rates redistribution	0	0	0	0	0	0	0	(202,285)	(202,285)
Total Income	(840,419)	0	0	6,638	0	0	(833,781)	(410,288)	(1,244,069)
Employee Expenses	291,095	(18)	18	0	4,092	0	295,188	0	295,188
Other Service Expenditure	854,546	(854,546)	0	0	175	0	175	0	175
Other Service Expenses	0	835,173	(39,517)	0	2,833	0	798,489	0	798,489
Support Service Recharges	(4,948)	0	0	0	4,743	0	(205)	0	(205)
Depreciation, Amortisation & Impairment	0	(478)	27,334	0	0	0	26,856	0	26,856
Interest Payments	0	14,997	0	(14,997)	0	0	0	27,967	27,967
Levies	0	3,188	0	(3,188)	0	0	0	3,188	3,188
LMS Adjustment	0	1,684	0	56	0	(1,740)	0	56	56
Pensions interest cost less return on assets	0	0	0	0	0	0	0	26,221	26,221
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	144	144
(Gain) or Loss on Disposal of Fixed Assets	0	0	0	0	0	0	0	(22,053)	(22,053)
Total expenditure	1,140,692	0	(12,165)	(18,129)	11,844	(1,740)	1,120,503	35,523	1,156,026
(Surplus) or deficit on the provision of Services	300,273	0	(12,165)	11,491	11,844	(1,740)	286,722	(374,765)	(88,043)

4. Material Items of Income and Expense

Revaluation Loss and Impairment

There was a net revaluation loss of £7.4m in 2012/13 recorded in the HRA. In 2013/14 there was a net reversal of revaluation loss of £92.6m as a result of an uplift in property values.

5. Parking Places Revenue Account

Surpluses made on the **Parking Places Revenue Account** must only be used on defined transport schemes, unless deficits have been incurred in the previous four financial years, in which case the contributions made by the General Fund can be recovered. Parking income has been generated from on and off street parking, permits and enforcement activities.

	2013/14 £'000	2012/13 £'000
Income	(24,680)	(24,658)
Expenditure	18,105	16,640
(Surplus)/Deficit for the year	(6,575)	(8,018)

Use of Surplus

	2013/14 £'000	2012/13 £'000
Revenue Contribution to Capital	2,500	2,500
Road Safety	170	188
Other Highways Expenditure	1,064	3,765
Structural Maintenance inc. Footways & Carriageways	1,079	943
Transport Planning	1,453	569
Aids to Movement, Furniture & Fittings	23	86
Other Contributions to Transport Related Works	307	141
(Surplus) / Deficit for year	21	174

6. Building Operations Trading Account

Certain activities performed by the Building Control Unit are charged for, such as providing general advice and liaising with other statutory authorities. The table shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

	2013/14			2012/13		
	Chargeable £'000	Non- Chargeable £'000	Total £'000	Chargeable £'000	Non- Chargeable £'000	Total £'000
Expenditure						
Employees	401	172	573	378	162	540
Premises	0	0	0	0	0	0
Transport	1	0	1	7	3	10
Supplies & Services	185	80	266	47	20	67
Third Party Payments	0	0	0	0	0	0
Central & Support Charges	160	69	229	135	58	193
	748	321	1,069	567	243	810
Income						
Building Regulations Charges	(847)	0	(847)	(510)	0	(510)
(Surplus)/Deficit for the Year	(99)	321	222	57	243	300

7. ALMO – Arm's Length Management Organisations

Lambeth Living Ltd (LL), a company limited by guarantee and wholly owned by the Council, was established on 1 July 2008 with responsibility for managing the remainder of the Council's housing stock. The properties managed by the ALMO remain within the Housing Revenue Account (HRA). Budgets for maintenance of housing stock and capital schemes are delegated to the ALMO acting as agent for the Council. The management fee paid to Lambeth Living Ltd in 2013/14 was £23,683,700 (no change from 2012/13). Transactions with the company are contained within the HRA. With the creation of the ALMO, many staff were transferred from the Council, and the Council undertook to guarantee the funding shortfall, if any, accrued in relation to pension benefits up to the day that the transfer occurred. In line with the IAS 19 report produced by the

actuary for Lambeth Living the value of this guarantee included in the Balance Sheet as at 31 March 2014 was £4m (£8.9m as at 31 March 2013).

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

8. Members' Allowances

	2013/14	2012/13
	£'000	£'000
Members' Allowances	1,140	1,151
Travel Allowance/Subsistence*	1	0
	1,141	1,151

*The actual amount in 2012/13 comprises travel expenses only of £196.40.

9a. Officers' Remuneration

Name and Title	Year	Salary, Fees & Allowances	Expense Allowances	Total Remuneration excl employers' pension contributions	Employers' pension contributions	Election Payment (incl pension)	Total Remuneration incl employers' pension contributions
		£	£	£	£	£	£
Derrick Anderson Chief Executive	13/14	193,075	33	193,108	32,437	1,000	226,544
	12/13	193,075	0	193,075	32,437	11,033	236,545
Mike Suarez ¹ Executive Director – Finance & Resources	13/14	50,730	0	50,730	8,523	0	59,253
	12/13	152,190	0	152,190	25,568	0	177,758
Guy Ware ² - Strategic Director - Enabling	13/14	136,589	74	136,664	22,947	0	159,611
Deborah Jones ³ Executive Director – Children & Young People's Service	13/14	69,337	84	69,421	11,719	0	81,139
	12/13	152,190	14	152,204	25,568	0	177,772
Joan Cleary ⁴ Executive Director – Adult & Community Services	13/14	78,597	0	78,597	0	0	78,597
	12/13	152,190	0	152,190	25,568	0	177,758
Helen Charlesworth-May - Strategic Director - Commissioning	13/14	136,589	21	136,610	22,947	0	159,557
Susan Foster Executive Director – Housing, Regeneration & Environment	13/14	152,579	0	152,579	25,568	0	178,147
	12/13	154,524	90	154,614	25,568	0	180,182
Ruth Wallis ⁵ - Joint Health Executive Director -Lambeth and Southwark	13/14	150,577	0	150,577	19,329	0	169,906
Craig Tunstall - Federation of Kingswood & Elmwood Primary Schools and Children's Centres	13/14	269,635	0	269,635	36,609	0	306,243

1. Mike Suarez resigned as Executive Director – Finance & Resources on 31 July 2013.

2. Guy Ware joined 2 September 2013 replacing Mike Suarez who had an annualised salary of £152,190. The figures include his earning in a previous Lambeth post before appointment.

3. Deborah Jones resigned as Executive Director – Children & Young People's Service on 15 September 2013.

4. Joan Cleary resigned as Executive Director – Adult & Community Services on 31 October 2013.

5. Ruth Wallis joined the Council on 1 April 2014. The post is shared equally with LB Southwark, and the Council's share of total remuneration and contribution to the pension fund is £75,289 and £9,665 respectively. This is based on information Lambeth obtained from Southwark.

6. Craig Tunstall earning in 2012-13 was below the £150k threshold hence there is no comparative figure.

9b. Remuneration Details – Higher Earners

The remuneration of the Council's other employees receiving £50,000 or more, excluding pension contributions, is shown below in bands of £5,000.

Remuneration band	Number of employees	
	2013/14	2012/13
£50,000 - £54,999	164	165
£55,000 - £59,999	107	107
£60,000 - £64,999	49	46
£65,000 - £69,999	37	36
£70,000 - £74,999	37	31
£75,000 - £79,999	18	18
£80,000 - £84,999	16	20
£85,000 - £89,999	8	9
£90,000 - £94,999	4	8
£95,000 - £99,999	10	4
£100,000 - £104,999	3	3
£105,000 - £109,999	1	2
£110,000 - £114,999	6	13
£115,000 - £119,999	3	2
£120,000 - £124,999	2	1
£125,000 - £129,999	2	1
£130,000 - £134,999	0	1
£135,000 - £139,999	0	0
£140,000 - £144,999	1	1
£145,000 - £149,999	0	0
£150,000 - £154,999	0	1

9c. Exit Packages

Exiting Package cost band (including special payments £)	Number of compulsory redundancies		Number of other Departures agreed		Total Number of Exit packages by cost band		Total Cost of Exit Packages in each band £	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
0 – 20,000	45	129	104	114	149	243	1,165,154	2,090,096
20,001 – 40,000	6	20	21	34	27	54	735,269	1,448,217
40,001 – 60,000	3	4	0	11	3	15	133,803	738,944
60,001 – 80,000	0	3	0	8	0	11	0	755,598
80,001 – 100,000	0	1	0	3	0	4	0	347,385
100,001 – 150,000	0	0	0	0	0	0	0	0
Total cost of exit package before provision	54	157	125	170	179	327	2,034,226	5,380,240

The total cost of £2,034,226 (£5,380,240 in 2012/13) includes £379,233 (£3,092,123 in 2012/13) for exit packages that have been agreed and charged to the authority's Comprehensive Income and Expenditure Statement in the current year but will not be paid until 2014/15.

10. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the Lambeth

Pension Fund Annual Report, certification of grant claims and to non-audit services provided by the Council's external auditors, Deloitte LLP:

	2013/14 £'000	2012/13 £'000
Fees with regard to external audit services carried out by the appointed auditor for the year	275	275
Fees for the certification of grant claims and returns for the year	70	68
Fees for the audit of the Lambeth Pension Scheme Annual Report	21	21
Fees for non-audit services	0	82
	366	446

11. Publicity Expenditure

The Council's Publicity Expenditure is set out below:

	2013/14 £'000	2012/13 £'000
Recruitment Advertising	433	271
Other Advertising	468	350
	901	621

12. Grant Income, Contributions and Taxation

12a. Other Revenue Grant Income

The Council credited the following other revenue grants to the Comprehensive Income and Expenditure Statement in 2013/14: -

	2013/14 £'000	2012/13 £'000
Credited to Taxation and Non Specific Grant Income		
Assets Of Community Value New Burden Grant	(8)	(5)
Capitalisation Provision Re-distribution Grant	(772)	0
Community Rights to Challenge New Burdens Grant	(9)	(9)
Council Tax Freeze	(1,001)	(2,510)
Council Tax Reform Grant	(247)	(84)
Early Intervention Grant	0	(20,552)
Education Services Grant	(3,954)	
Emergency Support Service [Social Fund]	(1,924)	(16)
Individual Electoral Registration Funding 2013-2014	(28)	0
High Street Innovation Fund	0	(100)
LACSEG Top Slice Refund 12-13	(994)	0
Learning Disability and Health Reform Grant	0	(8,442)
Local Reform Community Voices Grant	(264)	0
Local Services Support Grant	(149)	(3,277)
Maximising Registration Activities Grant	(12)	0
New Burdens Administration Grant	(218)	(96)
New Homes Bonus & New Homes Bonus Top Slice	(7,168)	(4,447)
Prevention of Social Housing Fraud	(95)	0
SEN Reforms Grant Determination 2013-14	(75)	0
Social Care - New Burdens Funding	(59)	0
Small business Rate Relief 2013-14 Section 31 Grant	(775)	0
Town Team Partners Grant	(93)	(20)
Transparency - DCLG	(3)	
Troubled Families Grant	(1,585)	(1,135)
Warm Homes Healthy People	0	(132)
Weekly Support Collection Scheme Grant	(903)	(571)
Sub Total Taxation and Non Specific Grant Income	(20,336)	(41,396)

Credited to Services (Government Grants)	2013/14 £'000	2012/13 £'000
Adult Learning Support	(2,037)	(2,075)
Dedicated Schools Grant	(217,757)	(204,434)
Discretionary Housing Payment	(1,817)	(596)
DWP Subsidy Administration Grant	(4,065)	(4,438)
Focused Extended Funding	(3,273)	(3,497)
Housing and Council Tax (Benefit and Subsidy)	(263,589)	(293,054)
Joint Finance Contributions	(7,569)	(3,267)
Lakanal inquiry	(45)	(1,104)
Lambeth PCT Contributions	(5,148)	(6,757)
Lambeth PCT Reimbursement - RNCC	(3)	0
Payment By Results	(140)	(144)
PFI Lilian Baylis PFI Project & Connected Learning Project (LCLP) - DfE Grants	(2,440)	(3,675)
PFI Support Grant Income - Lambeth Myatts Field North -IRA PFI Project	(7,729)	(6,763)
PFI Support Grant Income - Gracefield Gardens & Street Lighting	(1,727)	(1,685)
Public Health Grant	(25,438)	0
Pupil Premium	(12,425)	(7,693)
Recoupment: Special	(79)	(2,846)
S106 Revenue Contributions	(1,754)	0
Schools - Capital Income	(1,458)	(3,427)
Schools - Income - Catering	(2,910)	(1,521)
Schools - Income - Facilities & Services	(7,427)	(5,669)
Youth Justice Grant & Youth Opportunity Fund	(764)	(840)
YPLA (LSC) 6th Form Grant	(5,644)	(4,539)
Other Contributions	(6,512)	0
Other Government Grants - Revenue (under £1.5m)	(7,519)	(4,203)
Other Non-Government grants	(174)	(300)
Other Contributions - Revenue (under £1.5m)	(7,057)	(7,227)
Sub-Total Credited to Services	(596,500)	(569,752)
Grand Total	(616,836)	(611,148)

12b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14: -

Credited to Taxation and Non Specific Grant Income	2013/14 £'000	2012/13 £'000
Transport for London	(5,469)	(3,680)
Section 20 Receipts	(6,286)	(1,936)
Standard Fund	(17,266)	(31,089)
Outer London Fund	(1,856)	0
S106 developers' contributions	(2,935)	(3,700)
Other Grants - Capital (under £1.5m)	(510)	(2,165)
Community Energy Savings E-On	0	(1,675)
Decent Homes Backlog Funding	(30,141)	(11,343)
Heritage Lottery Brockwell Park	0	(1,653)
Sub Total Taxation and Non Specific Grant Income	(64,463)	(57,241)

Credited to Services	2013/14 £'000	2012/13 £'000
Sure Start	0	0
Heritage Lottery Fund	(1,976)	0
Transport for London	(334)	(102)
Standards Fund	(9,238)	(9,878)
S106 developers' contributions	(474)	(1,208)
Other Grants-Capital (under 1.5m)	(1,407)	(1,544)
Credited to Services	(13,429)	(12,732)
Total	(77,891)	(69,973)

12c. Breakdown of Taxation and Non-Specific Grant Income

	2013/14 £'000	2012/13 £'000
Capital grants and Contributions – other (see note 12b)	(64,463)	(57,241)
Council Tax income	(87,578)	(101,730)
NNDR Retained Income	(32,575)	0
National non-domestic rates Redistribution	0	(202,285)
Revenue Support Grant	(146,450)	(3,921)
Top-Up grant – business rates retention scheme	(62,917)	0
Other Non service related government grants (see note 12a)	(20,336)	(41,396)
Taxation and Non-Specific Grant Income	(414,319)	(406,573)

Public Health Grant

The Health and Social Care Act 2012 introduced a new duty for upper tier and unitary authorities in England to take appropriate steps to improve the health of the people who live in their areas. In April 2013 a number of services were transferred from NHS Lambeth to the Council. The Council works with Clinical Commissioning Groups and the wider NHS with complimentary responsibilities in these areas to improve public health. To fulfil these new responsibilities, the Council was given a ring-fenced grant of £25.4m in 2013/14.

13. Related Parties

There were no outstanding balances at the year end 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 (eg council tax bills and housing benefits). Details of transactions with government departments are set out in note 12. Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 18 and 19 to the balance sheet respectively. Other amounts due to or from central government at the relevant balance sheet dates are included in the figures in notes 16 and 17.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2013/14 £2,032,145 (£9,826,960 in 2012/13) was paid to organisations in which 5 members (17 members in 2012/13) were on the governing body. Details of all these relationships are recorded in the Register of Members' Interests or the List of Council's Representatives on Other Bodies and Outside Organisations which are open to public inspection at Lambeth Town Hall during office hours. Of 61 declarations of interest due from members for 2013/14, 41 were returned (53 in 2012/13). Further information is available in note 8 on allowances paid to members.

Officers

During 2013/14 the Executive Director of Finance and Resources declared his non-executive membership of The Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA members pay an annual subscription. The Council also has a contract for Learning and Development with CIPFA through its business arm. He is also non-executive director of Lambeth College. The College pays business rates and may provide training on an ad-hoc basis.

Other Public Bodies

In addition, the Council paid £14,724,474 (£4,644,537 in 2012/13) to Western Riverside Waste Authority in respect of waste disposal charges and £1,912,964 (2012/13 £1,096,513) in respect of levies.

Amounts due to or from other local authorities at the relevant balance sheet dates are included in the figures in notes 16 and 17. The Council had deposits at 31 March 2014 with other local authorities of £63,530,000 (£nil in 2012/13) and the UK Debt Management Office of £61,000,000 (£nil in 2012/13).

The Council has borrowing (including accrued interest) of £419,526,760 (£419,591,545 in 2012/13) with the Public Works Loan Board (PWLB). Interest payable on these loans was £22,934,148 (£22,951,250 in 2012/13). Interest payable on these loans was £22,934,145 (£22,951,250 in 2012/13). The Waste Authority and PWLB are under common control of central government.

The Council paid £23,683,700 (£23,683,700 in 2012/13) to Lambeth Living Ltd (a subsidiary of the Council) in respect of management fees. Further information is given in Note 7. Amounts due from Lambeth Living were £5,979,000 (£4,651,000 in 2012/13) and amounts due to Lambeth Living were £3,325,000 (£3,725,000 in 2012/13).

Material transactions with the Pension Fund are disclosed in the Pension Fund accounts. The Fund owed the Council £11.9m as at 31 March 2014 (£7.28m as at 31 March 2013). 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 £906k for expenses incurred in administering the fund. Details are in the Pension Fund Accounts.

NOTES TO THE BALANCE SHEET

A breakdown of non-current assets is shown below.

14a. Property, Plant and Equipment

Movements on Balances

2013/14	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2013	1,395,114	491,592	70,174	156,402	8,976	28,779	90,505	2,241,542
Reclassifications	0	86,364	0	0	0	0	(86,364)	0
Additions	93,254	11,300	5,468	22,202	1,153	0	59,134	192,511
Impairments	0	0	0	0	0	0	(1,880)	(1,880)
Revaluation increases recognised in the Revaluation Reserve	39,999	1,128	0	0	0	801	0	41,928
Revaluation decreases recognised in the Revaluation Reserve	0	(1,116)	0	0	0	0	0	(1,116)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	82,296	(373)	0	0	0	(46)	0	81,877
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	0	(14,648)	0	0	0	(0)	0	(14,648)
Derecognition - Disposals	(11,179)	(582)	0	0	0	(433)	0	(12,194)
Derecognition - Other	(3,785)	(0)	0	0	0	0	0	(3,785)
Assets reclassified (to) / from Held for Sale	0	(243)	0	0	0	(4,130)	0	(4,373)
Other movements in Cost or Valuation	(9,145)	0	0	0	0	0	0	(9,145)
At 31 March 2014	1,586,554	573,422	75,642	178,604	10,129	24,971	61,395	2,510,717

2013/14	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
At 1 April 2013	(9,166)	(9,462)	(44,780)	(36,843)	(338)	(777)	0	(101,366)
Depreciation charge	(17,018)	(11,292)	(7,173)	(7,147)	(171)	(474)	0	(43,275)
Depreciation written out to the Revaluation Reserve on revaluation of assets	3,509	8,311	0	0	0	401	0	12,221
Depreciation written out to Surplus / Deficit on the Provision of Services on revaluation of assets	13,362	4,074	0	0	0	613	0	18,049
Derecognition - Disposals	135	43	0	0	0	27	0	205
Eliminated on reclassification to Assets Held for Sale	0	27	0	0	0	140	0	167
Other movements in Depreciation and Impairment	9,145	0	0	0	0	0	0	9,145
At 31 March 2014	(33)	(8,299)	(51,953)	(43,990)	(509)	(70)	0	(104,854)
Net Book Value								
At 31 March 2013	1,385,948	482,130	25,394	119,559	8,638	28,002	90,505	2,140,176
At 31 March 2014	1,586,523	565,121	23,689	134,614	9,621	24,901	61,395	2,405,864
Owned	1,586,523	550,721	20,455	121,945	9,621	24,901	8,092	2,322,258
Finance Lease	0	0	3,234	0	0	0	0	3,234
Service Concession Arrangement	0	14,400	0	12,669	0	0	53,303	80,372
	1,586,523	565,121	23,689	134,614	9,621	24,901	61,395	2,405,864

2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or Valuation								
At 1 April 2012	1,360,537	458,338	61,518	144,760	7,824	37,449	52,916	2,123,342
Reclassifications	0	34,489	0	0	0	0	(34,512)	(23)
Additions	51,013	5,323	8,656	11,642	64	0	72,214	148,912
Impairments	0	0	0	0	0	0	(114)	(114)
Revaluation increases recognised in the Revaluation Reserve	7,053	20,079	0	0	1,858	0	0	28,989
Revaluation decreases recognised in the Revaluation Reserve	(8,478)	(15,895)	0	0	(115)	0	0	(24,487)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	2,162	12,549	0	0	42	0	0	14,754
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(10,346)	(21,137)	0	0	(697)	0	0	(32,180)
Derecognition – Disposals	(5,258)	0	0	0	0	0	0	(5,258)
Derecognition – Other	(1,569)	0	0	0	0	0	0	(1,569)
Assets reclassified (to) / from Held for Sale	0	(2,155)	0	0	0	(8,670)	0	(10,824)
At 31 March 2013	1,395,114	491,592	70,174	156,402	8,976	28,779	90,505	2,241,542

2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Accumulated Depreciation and Impairment								
At 1 April 2012	(38)	(4,976)	(32,980)	(30,312)	(342)	(304)	0	(68,952)
Depreciation charge	(16,779)	(8,645)	(11,800)	(6,531)	(147)	(540)	0	(44,441)
Impairments	(9,145)	0	0	0	0	0	0	(9,145)
Depreciation written out to the Revaluation Reserve on revaluation of assets	6,122	2,283	0	0	122	0	0	8,527
Depreciation written out to Surplus / Deficit on the Provision of Services on revaluation of assets	10,610	1,812	0	0	28	0	0	12,450
Derecognition – Disposals	64	0	0	0	0	0	0	64
Eliminated on reclassification to Assets Held for Sale	0	64	0	0	0	66	0	131
At 31 March 2013	(9,166)	(9,462)	(44,780)	(36,843)	(338)	(777)	0	(101,366)
Net Book Value								
At 31 March 2012	1,360,499	453,362	28,538	114,448	7,482	37,145	52,916	2,054,390
At 31 March 2013	1,385,948	482,130	25,394	119,560	8,638	28,002	90,505	2,140,175
Owned	1,385,948	465,830	22,471	106,539	8,638	28,002	63,944	2,081,371
Finance Lease	0	0	2,923	0	0	0	0	2,923
Service Concession Arrangement	0	16,300	0	13,021	0	0	26,561	55,882
	1,385,948	482,130	25,394	119,560	8,638	28,002	90,505	2,140,175

14b. Intangible Assets

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

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

	2013/14 Software Licences £'000	2012/13 Software Licences £'000
Balance at start of year:	2,107	1,319
· Gross carrying amounts	5,897	4,401
· Accumulated amortisation	(3,790)	(3,082)
Net carrying amount at start of year	2,107	1,319
Additions:		
· Purchases	2,358	1,496
· Amortisation for the period	(123)	(708)
Net carrying amount at end of year	4,342	2,107
Comprising:		
· Gross carrying amounts	8,255	5,897
· Accumulated amortisation	(3,913)	(3,790)
Balance at end of year	4,342	2,107

14c. Rolling Revaluation

All the Council's property assets are valued annually on a desktop basis, with each asset having a full valuation at least every five years. Valuations are reflected as at the balance sheet date. Properties are included in the Balance Sheet as per the Statement of Asset Valuation Principles and Guidance notes issued by the Royal Institute of Chartered Surveyors (RICS) and the Stock Valuation for Resource Accounting issued by Communities and Local Government (CLG).

14d. Capital Expenditure and Capital Financing

Capital Financing Requirement	2013/14 £'000	2012/13 £'000
Opening Capital Financing Requirement	572,150	540,567
<i>Capital Investment</i>		
Property, Plant and Equipment	192,651	148,973
Investment Properties	0	0
Intangible Assets	2,358	1,496
Revenue Expenditure Funded from Capital under Statute	15,954	14,892
Sources of Finance		
Capital Receipts	(31,901)	(21,877)
Government grants and other contributions	(42,317)	(50,001)
Decent Homes	(30,140)	(11,343)
Major Repairs Reserve	(35,197)	(15,742)
S106 contributions	(3,370)	(4,908)
Direct revenue contributions	(131)	(25)
Sums set aside from revenue	(14,790)	(9,891)
MRP / loans principal	(18,569)	(19,991)
HRA Self Financing	0	0
Overhanging debt repayment	0	0
Closing Capital Financing Requirement	606,697	572,150
Explanation of movements in year		
Increase in underlying need to borrow	6,791	5,024
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	27,756	26,560
Increase / (decrease) in Capital Financing Requirement	34,547	31,584

14e. Capital Commitments

	31 March 2014 £'000	31 March 2013 £'000
Commissioning	4,186	3,498
Enabling	4,328	4,115
Delivery	29,505	55,224
Total	38,019	62,837

As at 31st March 2014, the authority has entered into a number of contracts for the construction of Plant, Property and Equipment in 2014-15 and future years budgeted to cost £38m. Similar commitments as at 31 March 2013 were £62.8m. The major commitments are:

- Black Cultural Archives £1.46m
- Fenstanton PCP £5.61m
- Dunraven Primary School Expansion £2.6m
- Julians Primary School Expansion £5.3m
- Borough Roads £3.3m

14f. Assets Held for Sale

	Current	
	2013/14 £'000	2012/13 £'000
Balance outstanding at start of year		3,501
Assets newly classified as held for sale:		
· Property, Plant and Equipment	4,206	10,694
Assets sold	(4,206)	(14,195)
Balance outstanding at year-end	0	0

14g. 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, since 2008, 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.

15a. Financial Instruments

31 March	Non-Current		Current	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Bank overdraft	0	0	(58,734)	(51,722)
Rents	0	0	(5,047)	(5,043)
Right to buy service charges	0	0	(2,030)	(1,871)
Other payables	0	0	(128,687)	(102,973)
Short-term Borrowing – PWLB	0	0	(6,810)	(6,875)
Short-term Borrowing – IFRIC 12	0	0	(2,203)	(999)
Long-term Borrowing – PWLB	(412,717)	(412,717)	0	0
Long-term creditors – IFRIC12	(79,200)	(53,748)	0	0
Total Financial Liabilities at Amortised Cost	(491,917)	(466,465)	(203,511)	(169,483)
Rents	0	0	6,441	7,844
Right to buy service charges	0	0	2,741	1,186
s20 works	0	0	17,061	9,425
Other receivables	0	0	46,846	42,219
Pension Fund	0	0	11,913	7,276
Long-term Debtors	426	446	0	0
Investments	13,035	54,338	249,173	137,920
Total Loans and Receivables	13,461	54,784	334,175	205,870

The balance on the current category of financial liabilities does not include all elements of creditors. The reason for exclusions is that some sections of creditors relate to statutory functions, not contractual arrangements and therefore do not meet the definition of a financial instrument or is deferred income

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors. The short-term investments amount to £249.1m at 31 March 2014 and £137.9m at 31 March 2013.

15b. Impairment (credit) losses on receivables

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders £'000	Rent Debtors £'000	Sundry Debtors £'000	RTB Service charges £'000	Parking Debtors £'000	Total £'000
Balance as at 31 March 2012	(2,840)	(17,250)	(7,913)	(1,239)	(8,259)	(37,501)
Write-offs	2,603	2,716	542	0	8,734	14,595
Set up/Release	(2,974)	(489)	(2,239)	(312)	(8,166)	(14,179)
Balance as at 31 March 2013	(3,211)	(15,023)	(9,610)	(1,551)	(7,691)	(37,085)
Write-offs	0	3,199	262	14	4,355	7,830
Set up/Release	1,250	(1,739)	(1,580)	0	(5,623)	(7,692)
Balance as at 31 March 2014	(1,961)	(13,563)	(10,928)	(1,537)	(8,959)	(36,947)

15c. Income, Expense, Gains and Losses

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

	31-Mar-14 £'000	31-Mar-13 £'000
Interest Receivable	(2,057)	(3,715)
Interest Payable	22,934	27,967
Impairment Loss on loans and receivables	7,692	14,179
	28,569	38,431

15d. Fair Values of Assets and Liabilities

Financial liabilities and financial assets are carried in the Balance Sheet at amortised cost. 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 2014		31 March 2013	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial Assets – Long-term Investments	13,035	13,019	54,338	54,694
Financial liabilities – PWLB debt	(412,717)	(590,377)	(412,717)	(629,810)

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

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

The Council has put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of its treasury activities. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003, and associated regulations, which require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. The Council, in complying with this framework, acknowledges that effective management and control of risk are the prime objectives of its treasury management activities and responsibility for these lie clearly within the organisation. The key policy documents 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 2014 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.

15f. Maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last three financial years before provisions for impairment. Provisions for impairment are set out in Note 15b.

Category of Customer	Amount at 31.03.2014	Historical experience of default	Estimated maximum exposure at 31.03.2014	Amount at 31.03.2013	Historical experience of default	Estimated maximum exposure at 31.03.2013
	£'000	%	£'000	£'000	%	£'000
Rents	20,005	13.18%	2,637	22,867	13.50%	3,084
Right-to-buy service charges	4,277	0.61%	26	2,736	0.50%	14
s20 works	19,022	9.21%	1,753	12,636	18.00%	2,280
Other receivables	46,846	16.66%	7,803	59,519	19.60%	11,661
	90,150		12,219	97,758		17,038

There is a specific requirement to note any changes in the Council's exposure to risk and its approach to managing it compared to the prior year. This has been through periodic consultation and reporting to Corporate Committee.

15g. Deposits with banks and financial institutions

Deposits with banks and financial institutions	31 March 2014 £'000	31 March 2013 £'000
Investments with Banks	75,190	148,618
Investments with Building Societies	72,000	85,000

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.

15h. Ageing analysis of financial assets that are past due at the end of the financial year but not impaired

Aged Analysis of Financial Assets (excl Investments) 2013/14	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	5,582	653	21,861	437	28,533
Over 1 year	1,386	5,984	10,483	274	18,127
Total as at 31 March 2014	6,968	6,637	32,344	711	46,660

Aged Analysis of Financial Assets (excl Investments) 2012/13	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	5,682	0	7,534	865	14,081
Over 1 year	1,564	0	2,371	321	4,256
Total as at 31 March 2014	7,246	0	9,905	1,186	18,337

* The ageing of the rents and right to buy service charge debtors is prepared on a different basis with the ageing equal to the equivalent number of weeks of rental or service charge outstanding (i.e. Amounts greater than 12 months represent an equivalent of more than 12 months' rent outstanding).

Liquidity risk

The Council's policy of maintaining sufficient liquidity to cover three months' worth of expenditure is monitored on a weekly basis. Additionally, it has access to instant cash accounts with its banks and ready access to borrowing from the PWLB. It has been able to meet its day to day commitments as they fall due and has had no need to raise funding from PWLB in the last 5 years.

15i. Analysis by Maturity

Book Value at	31 March 2014 £'000	31 March 2013 £'000
Maturing in 1 to 10 years	26,461	20,050
Maturing in 10 to 20 years	77,365	77,365
Maturing in 20 to 30 years	40,846	47,256
Maturing in 30 to 40 years	78,411	78,411
Maturing in more than 40 years	189,634	189,634
	412,717	412,717

Market risk

The Council is not exposed to any significant risks in terms of interest rate movements on its borrowing and investments. The spread of investments takes account of prevailing and as far as possible future market forecasts from different sources of the trend and future interest rates risks.

All borrowing is with the Public Works Loan Board on a fixed term and fixed interest basis. Current market conditions are not conducive to raise finance unless it is for specific purposes. The return on investments would not cover the cost of servicing the debt.

Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Comprehensive Income and Expenditure Statement. Based on the amount of cash held in such accounts at 31 March 2014 a 1% change in interest rates would change the interest receivable by £1.76m

16. Short –Term Debtors by category of counterparty

	31 March 2014	31 March 2013
	£'000	£'000
Central government bodies*	25,631	20,141
Other Local Authorities	9,280	8,036
Public Corporations and Trading Funds	0	1,325
National Health Service Bodies	10,536	2,946
Other Entities and Individuals	77,647	62,050
Total	123,094	94,498

17. Short-Term Creditors by category of counterparty

	31 March 2014	31 March 2013
	£'000	£'000
Central government bodies*	(36,506)	(33,982)
Other Local Authorities	(10,869)	(8,982)
Public Corporations and Trading Funds	(2,778)	(7,068)
National Health Service Bodies	(13,954)	(10,529)
Other Entities and Individuals	(122,873)	(92,582)
Total	(186,980)	(153,143)

* Grants have been included although they appear on a separate line on the face of the Balance Sheet.

18. Revenue Grants Receipts in Advance

	31 March 2014	31 March 2013
	£'000	£'000
Government Grants (£500k or more)		
Housing Subsidy (Housing Act 1989)	(18)	(18)
Dedicated Schools Grant	(6,979)	(6,259)
DoH Social Care Reform	(1,391)	(1,391)
LSC - Adult & Community Learning	(903)	(557)
Subtotal	(9,291)	(8,225)
Government Grants (under £500k)	(979)	(1,107)
Government Grants Subtotal	(10,270)	(9,332)
Non-Government Grants (£500k or more)		
CWDC & NQSW Grant	(10)	(606)
Non-Government Grants (under £500k)	(142)	(1)
Non-Government Grants Subtotal	(152)	(607)
Total Revenue Grant Receipts in Advance	(10,422)	(9,940)

19. 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 2014 £'000	31 March 2013 £'000
Transport for London	(80)	(82)
s106 developers' contribution	(6,700)	(5,278)
Standard Fund	(10,128)	(5,849)
Other Grant	(2,067)	(1,421)
CURRENT LIABILITIES	(18,975)	(12,629)
s106 developers' contribution	(10,635)	(8,078)
Standard Fund	(3,301)	(1,451)
Other Grant	(250)	(760)
NON-CURRENT LIABILITIES	(14,186)	(10,289)
Total Capital Grants Receipts in Advance	(33,161)	(22,918)

20. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget has two components – one for a restricted range of services provided on an authority-wide basis and the other for the Individual Schools Budget, which is divided into a budget share for each school. The Council is required to account separately for overspends and underspends on the two components. Details of the deployment of DSG receivable for 2013/14 are as follows:

2013/14 DSG	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2013/14 before Academy recoupment	(50,917)	(194,816)	(245,733)
Academy Figure recouped for 2013/14	0	27,245	27,245
Total DSG after Academy recoupment for 2013/14	(50,917)	(167,571)	(218,488)
Brought forward from 2012/13	(6,258)	0	(6,258)
Vat Deducted at Source	0	10	10
DSG Available for the year 2013/14	(57,176)	(167,561)	(224,737)
Carry-forward to 2014/15 advance	0	0	0
Agreed Initial Budgeted Distribution 2013/14	(43,037)	(167,398)	(210,435)
In year Adjustments	0	0	0
Final budgeted distribution for 2013/14	(43,037)	(167,397)	(210,434)
Less Actual Central expenditure	48,129	0	48,129
Less Actual ISB deployed to schools	0	169,629	169,629
Plus Local Authority Contribution for 2013/14	0	0	0
Carried forward to 2014/15	(9,047)	2,068	(6,979)

21a. Leases – Authority as Lessee

(i) The Authority has one building under a **Finance Lease arrangement** (Olive Morris House). It is carried on the Council's balance sheet as Other Land and Buildings at a value of £3,250k (2012/13 £3,250k). The Council is committed to making minimum lease payments comprising settlement of the long term liability and finance costs that will be payable while the liability remains outstanding. Total future minimum lease payments are £1,560k (2012/13 £1,580k), comprising Finance Lease Liabilities of £385k and Finance Costs of £1,175k. The minimum lease payments do not include contingent rents, which in 2013/14 totalled £153k (2012/13 £118k). Of the £1,560k, amounts payable in less than five years are immaterial.

(ii) The future minimum lease payments due relating to **operating lease arrangements** are listed below:

	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	3,990	3,565
Later than one year and not later than five years	14,423	11,493
Later than five years	21,182	22,433
	39,954	37,491

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 2013/14 was £5.36m, comprising £4.85m Minimum Lease Payments and £0.51m Contingent Rental.

21b. 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 2.31m (£2.34m in 2012/13), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2012/13).

The gross investment of the lease and the present value of future minimum lease payments will be received in the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	30	30	11	12
Later than one year and not later than five years	119	119	39	42
Later than five years	2,162	2,192	126	135
	2,311	2,341	176	189

Of the total of £2,311k, the element of unearned finance income was £1,887k, with £424k going towards repayment of the lease debtor (£1,916k and £425k in 2012/13). There was no contingent rent corresponding to these lease arrangements.

(ii) The Council's **operating leases** are for the provision of community services and for economic development purposes.

The future minimum lease payments receivable relating to these arrangements are below:

	31 March 2014 £'000	31 March 2013 £'000
Not later than one year	1,979	2,262
Later than one year and not later than five years	4,504	5,721
Later than five years	9,473	10,235
	15,956	18,218

The total contingent rent relating to these arrangements in 2013/14 was £0.74m (2012/13 £0.98m).

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

The council has recognised six contracts on its Balance Sheet:

The **Home to School** contract provides transport services for children and young people with special needs being educated in the borough. The contract ran for an initial 5 year period from 2007 to 2012, and was extended for a further 5 years until 2017 on the same terms. Payments in 2013/14 were £2.3m.

The **Waste Management** contract provides services including street cleansing, waste collection and disposal, and a recycling service. The contract started in 2007 for an initial 7 years, and was extended until 2021 on the same terms. Payments in 2013/14 amounted to £17.6m.

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

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 2013/14 totaling £2.9m. Currently payments vary only with changes in RPIX and no other factor. Due to the conversion of the school to an academy, there will be variations to the contract from 2014-15. The assets including the main school building will revert to the academy at the end of the contract.

The **Connected Learning** contract provided ICT services in ten of the authority's schools. The final year of the contract was 2013/14 and thus there are no further commitments.

Lambeth Lighting Services Ltd provides replacements, upgrades and new installations of street lighting throughout the borough. Payments in 2013/14 amounted to £2.6m 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 2016. In 2013/14 the value of new assets recognised on the balance sheet was £26.7m, with a total value of £53.3m recognised since the start of the contract. Payments on this contract in 2013/14 were £6.0m. 357 homes will be sold; the council will retain ownership.

22a. The value of assets held under PFI and similar contracts and an analysis of the movement in those values.

	Lilian Baylis £'000	Connected Learning £'000	Waste Fleet £'000	Home 2 School £'000	Lambeth Lighting £'000	Myatts Field North £'000	Total £'000
1 April 2013	16,300	0	2,529	394	13,021	26,561	58,805
Additions	15	0	0	1,014	0	26,742	27,771
Disposals	0	0	0	0	0	0	0
Revaluations	(1,337)	0	0	0	0	0	(1,337)
Depreciation	(578)	0	(506)	(197)	(352)	0	(1,633)
31 March 2014	14,400	0	2,023	1,211	12,669	53,303	83,606

22b. The value of outstanding liabilities resulting from PFI, finance leases and similar contracts at each Balance Sheet date and an analysis of the movement in those values

	Lilian Baylis £'000	Lambeth Lighting £'000	Connected Learning £'000	Home to School £'000	Waste Mgt £'000	Myatts Field North £'000	Sub- Total £'000	Finance Lease* £'000	Total £'000
1 April 2012	(11,310)	(11,168)	(1,110)	(223)	(2,714)	0	(26,525)	(386)	(26,911)
Liability in year	0	0	0	0	0	(32,036)	(32,036)	0	(32,036)
Payments in year	265	585	859	223	1,122	1,145	4,199	0	4,199
31 March 2013	(11,045)	(10,583)	(251)	0	(1,592)	(30,891)	(54,362)	(386)	(54,748)
Liability in year	0	0	0	(1,014)	0	(30,933)	(31,947)	0	(31,947)
Payments in year	242	596	251	101	1,592	2,509	5,291	0	5,291
31 March 2014	(10,803)	(9,986)	(0)	(913)	0	(59,315)	(81,018)	(385)	(81,403)

*In year lease payments are under £1,000.

22c. 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 2014 are set out in the table below. The disclosure requirements for PFI schemes are open to interpretation. The Council has therefore included the elements as follows: -

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

	Lilian Baylis				Lambeth Lighting			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	250	1,473	800	2,524	587	842	1,203	2,631
2-5 years	1,508	6,082	3,406	10,996	2,416	2,921	5,196	10,533
6-10 years	2,928	7,563	4,759	15,250	3,210	2,627	7,351	13,188
11-15 years	4,680	7,135	5,319	17,134	2,873	1,155	9,187	13,216
16-20 years	1,437	1,434	953	3,824	901	123	3,395	4,419
21-25 years	0	0	0	0	0	0	0	0
Total	10,803	23,687	15,237	49,728	9,986	7,668	26,333	43,987

	Waste Management				Myatts Field North			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	144	1,208	15,224	16,576	1,066	4,413	2,852	8,331
2-5 years	1,364	4,390	64,799	70,553	9,593	21,157	10,836	41,587
6-10 years	1,694	1,403	34,880	37,977	15,918	23,245	16,083	55,246
11-15 years	0	0	0	0	18,678	17,671	21,878	58,227
16-20 years	0	0	0	0	21,815	10,322	29,512	61,649
21-25 years	0	0	0	0	19,625	4,531	15,883	40,038
Total	3,202	7,001	114,903	125,106	86,696	81,339	97,043	265,078

	Home to School				Finance Lease		
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Total £'000
Within 1 year	156	524	1,885	2,565	0	20	20
2-5 years	757	898	4,589	6,244	2	78	80
6-10 years	0	0	0	0	3	97	100
11-15 years	0	0	0	0	4	96	100
16-20 years	0	0	0	0	5	95	100
21-25 years	0	0	0	0	6	94	100
Total	913	1,422	6,473	8,808	20	480	500

23. Provisions

Description	31 March 2013	Additional provision	Utilised	Released	31 March 2014
	£'000	£'000	£'000	£'000	£'000
Contract disputes	(886)	(110)	0	0	(996)
Carbon Reduction Commitment	(341)	(349)	341	0	(349)
Dilapidations	(2,840)	0	0	2,500	(340)
Insurance fund GF	(3,230)	(1,996)	2,012	0	(3,214)
Land Charge Claims	(430)	0	0	33	(397)
Provision for Appeals	0	(3,857)	0	0	(3,857)
Single Status Provision	0	(245)	0	0	(245)
Sub-Total GF Provisions	(7,727)	(6,556)	2,353	2,533	(9,397)
Contract Disputes	0	(921)	0	0	(921)
URH Pension Liability	0	(253)	0	0	(253)
Insurance fund HRA	(2,430)	(908)	1,051	0	(2,287)
Sub-Total HRA Provisions	(2,430)	(2,082)	1,051	0	(3,461)
Total Council Provisions	(10,157)	(8,638)	3,404	2,533	(12,858)

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

- **The Insurance Fund provisions** hold the balances set aside for potential liabilities in respect of insurable items for which the Council has elected to self-insure and for payments that fall within the insurance excesses, split between the General Fund and the Housing Revenue Account. The review of insurance provisions is carried out annually using an actuarial forecasting approach which is designed to review the appropriateness of the provisions and reserves for the Council's self-insured claims as at the date of the valuation. This valuation takes into account all known and outstanding (unpaid) claims received from 1998 to date, and also makes a calculation for any incurred but not reported claims (IBNR).
- **Provision for Appeals** was introduced alongside the business rates retention scheme. The provision is calculated through applying the change in past rateable values based on successful appeals and applying this to current outstanding appeals, as supplied by the Valuations Office Agency, and the Council's 30% share is shown above and below.

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

2013/14 Description	Less than one year	Between one year and five years	Greater than five years	Balance at 31 March 2014
	£'000	£'000	£'000	£'000
Contract disputes	(996)	0	0	(996)
CRC Provision	(349)	0	0	(349)
Dilapidations	(340)	0	0	(340)
Insurance fund GF	(1,689)	(1,399)	(126)	(3,214)
Land Charge Claims	(397)	0	0	(397)
Provision for Appeals	(3,856)	0	0	(3,856)
Single Status Provision	(245)	0	0	(245)
Sub-Total GF Provisions	(7,872)	(1,399)	(126)	(9,398)
Contract Disputes	(921)	0	0	(921)
URH Pension Liability	(253)	0	0	(253)
Insurance fund HRA	(1,202)	(995)	(90)	(2,287)
Sub-Total HRA Provisions	(2,376)	(995)	(90)	(3,461)
Total Council Provisions	(10,248)	(2,394)	(216)	(12,858)

2012/13 Description	Less than one year	Between one year and five years	Greater than five years	Balance at 31 March 2013
	£'000	£'000	£'000	£'000
Contract Disputes	(886)	0	0	(886)
CRC Scheme	(341)	0	0	(341)
Dilapidations	(1,140)	(1,700)	0	(2,840)
Insurance Fund GF	(2,070)	(999)	(161)	(3,230)
Land Charge Claims	(430)	0	0	(430)
Totals (GF)	(4,867)	(2,699)	(161)	(7,727)
Insurance fund HRA	(1,558)	(751)	(121)	(2,430)
Totals (GF and HRA)	(6,425)	(3,450)	(282)	(10,157)

24. Contingent Liabilities

Provision has been made for the Council's share of the estimated financial effect of appeals made by business ratepayers against their rates bills. This is shown in Note 23. No provision has been made for the cost of appeals which relate to periods prior to 31 March 2014 which have not yet been lodged as it has not been possible to quantify this amount. However, the Council's share of the cost of such appeals is not expected to be material.

25. 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 2013/14 the Council paid £7.54m to the TPA (£9.56m in 2012/13), representing 14.1% of pensionable pay (14.1% in 2012/13). The contributions due to be paid in the next financial year are estimated to be £7.44m in 2014/15. From 2013/14 the Council makes contributions to the **NHS Pension Scheme** (£54K), representing 14% of pensionable pay.

26. 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. The Council has also agreed to meet the pension liability relating to pre transfer service of staff who previously transferred from the Council to Lambeth Living. This is part of a section of the LGPS administered by Lambeth Pension Scheme ("Lambeth Living Transferees liability").

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

The liabilities of the LBL Pension Fund and the LPFA Pension Fund attributable to the Council are assessed on an actuarial basis using the projected unit credit method, an estimate of the current value of benefits payable in future years, dependent on assumptions about future mortality rates, salary levels etc. The London Borough of Lambeth and the Lambeth Living Transferees liabilities were assessed by Hyman Robertson LLP and the LPFA liabilities were assessed by Barnett Waddingham Public Sector Consulting, both of whom are independent firms of actuaries. Council liabilities are based on the latest full valuation of the scheme as at 31 March 2013.

	2013/14			2012/13		
	Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	(989,250)	1,636,019	646,769	(869,587)	1,427,066	557,479
Current Service Cost	0	21,795	21,795	0	21,289	21,289
Past Service cost and gains/losses on curtailments	0	203	203	0	514	514
Interest Income and Expense	(43,918)	72,235	28,317	(41,572)	67,793	26,221
Remeasurements						
• Return on Plan Assets	(27,511)	(57,348)	(84,859)	(80,485)	(1,323)	(81,808)
• Actuarial Gains and Losses arising from changes in demographic assumptions	0	4,795	4,795	0	0	0
• Actuarial Gains and Losses from changes in Financial Assumptions	(8,387)	32,891	24,504	0	166,679	166,679
Contributions						
• The Council	(49,624)	0	(49,624)	(43,605)	0	(43,605)
• Employees	(7,999)	7,999	0	(7,936)	7,936	0
Payments						
• Retirement Grants and Pensions	60,770	(60,770)	0	53,935	(53,935)	0
Closing Balance at 31 March	(1,065,919)	1,657,819	591,900	(989,250)	1,636,019	646,769

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. In 2013/14, this was equivalent to 16.6% of employee pay. An increase in member life expectancy, salary and pension accumulation rate or a decrease in the real discount rate would have an impact on the Council's liability to the Pension Fund. The biggest risks include larger than anticipated salary growth with the potential of strike action over pay an annual occurrence and the possibility of the economic recovery petering out, reducing Pension Fund returns, as well as longevity assumptions, statutory changes to the scheme and any future large scale withdrawals from the scheme.

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

The principal assumptions used by the actuaries have been:

	LPFA		Lambeth	
	2013/14	2012/13	2013/14	2012/13
Longevity at 65 for current pensioners: • Men	21.2 years	20.2 years	21.7 years	20.1 years
• Women	24.3 years	23.1 years	24.0 years	22.9 years
Longevity at 65 for future pensioners: • Men	23.5 years	22.2 years	24.3 years	22.0 years
• Women	26.5 years	25.0 years	26.6 years	24.8 years
Rate of increase in salaries	4.5%	4.10%	4.6%	5.10%*
Rate of increase in pensions(CPI)	2.7%	2.40%	2.8%	2.80%
Rate for discounting scheme liabilities	4.3%	3.60%	4.3%	4.50%*

*1% p.a until 31 March 2015 reverting to the long term rate shown thereafter

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 28. The Council is responsible for 97% of the assets and liabilities of the Pension Fund, details of which can be found within the Pension Fund notes from Note 60 onwards. The Council's share of the LPFA Asset Breakdown can be found below, but it must be remembered that the Council only represents 1% of the assets.

Employer Asset Share – Bid Value	31 March 2014		31 March 2013	
	£'000s	%	£'000s	%
Equities	34,159	53	7,918	14
LDI/Cashflow matching	3,867	6	17,533	31
Target Return Portfolio	19,335	30	30,541	54
Infrastructure	2,578	4	n/a	n/a
Commodities	645	1	n/a	n/a
Property	1,934	3	n/a	n/a
Cash	1,934	3	566	1
Total	64,451	100	56,558	100

While there has been a growth in the Council's obligations, the assets have grown faster, leading to a reduction in net obligations to future pensioners. However, this is subject to the risks stated above. If Pension Fund members' longevity was one year greater than anticipated, there would not be any reduction in our net obligations. This demonstrates that Council obligations are a most likely estimate, based on the best evidence that the actuaries have at March 31st 2014. Nonetheless, the impact from a small change in fund returns is even greater, so it is important to recognise that this Net Obligation is a professional assessment by the Actuaries and not a definitive figure.

The Council's agreed strategy with the actuary is to achieve of a funding level of 100% over 20 years (March 31st 2033). Funding levels are monitored annually and the next triennial valuation is due to be completed 31st March 2016. The estimated employers' contributions for the year ending 31 March 2015 will be approximately £34,427,000. 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.

27. Trust Funds

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

	Balance at 31 March 2014 £'000	Balance at 31 March 2013 £'000
Monies Held on behalf of adult care clients	(3,276)	(3,303)
Monies Held on behalf of children in care	(18)	(29)
Wellington Mills - Housing Corporative	(307)	(307)
Others*	(31)	(1,265)
Total Trust Funds	(3,632)	(4,904)

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

28. Accounting Standards Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 has introduced a number of changes in accounting standards that are required from 1 April 2014, as set out below. It is currently not anticipated that any of these changes will have a significant impact on the Council's Statement of Accounts. IFRS 10 through 12 should have a negligible impact but it is limited to potential presentational changes. This is because maintained schools' transactions, liabilities and assets are already consolidated at end of year within the Council's financial statements, removing all double-counting. Therefore, there is no reason currently to believe there will be an impact from possible changes to group boundaries, although additional explanatory notes may be required regarding the Council's relationship with schools.

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interests in Other Entities

IAS 27 Separate Financial Statements (as amended in 2011)

IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)

IAS 32 Financial Instruments

Annual Improvements to IFRS 2009-2011 Cycle

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

29. Adjustments between Accounting Basis and Funding Basis under Regulations

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

The note is in the table overleaf.

2013/14	Usable Reserves					Unusable Reserves £000s	Relevant Unusable Reserve
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s		
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	100	345	0	0	0	(445)	Financial Instruments Adjustment Account
· Pensions costs	(1,162)	386	0	0	0	776	Pensions Reserve
· Council tax	2,312	0	0	0	0	(2,312)	Collection Fund Adjustment Account
· Holiday pay	(102)	11	0	0	0	91	Accumulated Absences Account
Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
· Amortisation of intangible assets	(123)	0	0	0	0	123	Capital Adjustment Account
· Charges for depreciation and impairment	(36,173)	71,762	0	0	0	(35,588)	
· Revenue expenditure funded from capital under statute	(14,869)	(1,085)	0	0	0	15,954	
· Carrying amounts of non-current assets written off on disposal or sale	(4,978)	(11,216)	0	0	0	16,194	
· Capital grant income	40,935	6,290	0	0	(6,972)	(40,253)	
· Movements in the value of investment property	0	0	0	0	0	0	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	10,571	49,138	(59,709)	0	0	0	Deferred Capital Receipts Reserve
Use of capital receipts for revenue purposes:							
· Administrative costs of non-current asset disposals	(324)	(360)	683	0	0	0	
· Payments to the Government housing receipts pool	(4,965)	0	4,965	0	0	0	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	54,997	0	(54,997)	0	0	
Statutory revenue provisions for the financing of capital investment	13,441	5,129	0	0	0	(18,569)	Capital Adjustment Account
Capital expenditure financed from revenue balances	10,925	3,996	0	0	0	(14,921)	
Adjustments to Capital Resources							
Repayments of capital loans and mortgages	0	0	(19)	0	0	19	Capital Adjustment Account
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	31,901	0	0	(31,901)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	65,337	0	(65,337)	
Application of capital grants to finance capital expenditure	0	0	0	0	5,434	(5,434)	
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0	Deferred Capital Receipts
Total Adjustments	15,588	179,392	(22,179)	10,340	(1,537)	(181,604)	

2012/13	Usable Reserves					Unusable Reserves £000s	Relevant Unusable Reserve
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s		
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	100	499	0	0	0	(599)	Financial Instruments Adjustment Account
· Pensions costs	(4,401)	(18)	0	0	0	4,420	Pensions Reserve
· Council tax	(1,364)	0	0	0	0	1,364	Collection Fund Adjustment Account
· Holiday pay	(74)	(2)	0	0	0	76	Accumulated Absences Account
Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
· Amortisation of intangible assets	(316)	(392)	0	0	0	708	Capital Adjustment Account 51,783
· Charges for depreciation and impairment	(33,091)	(26,942)	0	0	0	60,033	
· Revenue expenditure funded from capital under statute	(13,763)	(1,129)	0	0	0	14,892	
· Carrying amounts of non-current assets written off on disposal or sale	(8,785)	(10,603)	0	0	0	19,388	
· Capital grant income	54,290	3,797	0	0	(14,849)	(43,238)	
· Movements in the value of investment property	0	0	0	0	0	0	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	14,066	28,250	(42,316)	0	0	0	Deferred Capital Receipts Reserve
Use of capital receipts for revenue purposes:							
· Administrative costs of non-current asset disposals	(268)	(607)	875	0	0	0	
· Payments to the Government housing receipts pool	(144)	0	144	0	0	0	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	36,199	0	(36,199)	0	0	
Statutory revenue provisions for the financing of capital investment	14,081	5,911	0	0	0	(19,992)	Capital Adjustment Account
Capital expenditure financed from revenue balances	9,916	0	0	0	0	(9,916)	(29,908)
Adjustments to Capital Resources							
Repayments of capital loans and mortgages	0	0	(34)	0	0	34	Capital Adjustment Account
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	21,877	0	0	(21,877)	Capital Adjustment Account (60,584)
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	27,084	0	(27,084)	
Application of capital grants to finance capital expenditure	0	0	0	0	11,657	(11,657)	
Cash payments in relation to deferred capital receipts	0	0	(243)	0	0	243	Deferred Capital Receipts
Total Adjustments	30,247	34,963	(19,697)	(9,115)	(3,192)	(33,205)	

30. Usable Reserves

	31 March 2014 £'000	31 March 2013 £'000
General Fund	(24,874)	(24,668)
LMS Balances	(18,644)	(15,689)
Earmarked Reserves – General Fund	(67,329)	(68,039)
Earmarked Reserves - HRA	(23,236)	(11,151)
Housing Revenue Account	(7,843)	(9,997)
Capital Receipts Reserve	(76,094)	(53,916)
Capital Grants Unapplied Account	(46,481)	(44,944)
Major Repairs Reserve	(3,127)	(13,468)
Total Usable Reserves	(267,629)	(241,872)

30a. General Fund – Used for any non-housing purpose of a revenue or capital nature.

30b. LMS Balance – Ringfenced for the local management of schools

	2013/14 £'000	2012/13 £'000
Balance at 1 April	(15,689)	(14,005)
Overspent School Balances	2,225	2,734
Underspent School Balances	(5,180)	(4,474)
	(18,644)	(15,745)
Adjustment for Schools becoming Academies		
Durand Junior Mixed Infant School	0	56
Balance at 31 March	(18,644)	(15,689)

30c. General Fund and Housing Revenue Account Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2013/14.

General Fund Reserves	Balance at 31 March 2013 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2014 £'000
Earmarked Grants & Budget Carry-Forwards	(7,791)	(9,525)	8,517	(8,799)
Information and Communication Technology Investment	(8,650)	(1,100)	3,263	(6,487)
Insurance and Risk Management	(11,595)	(4,575)	3,256	(12,915)
Property and Assets	(14,919)	(20,567)	15,757	(19,729)
Transformation	(23,500)	(1,199)	5,299	(19,400)
Closed and Transferred	(1,583)	0	1,583	0
GF Sub-total	(68,039)	(36,966)	37,675	(67,329)
Housing Revenue Account Reserves				
Insurance and Risk Management	(5,151)	(2,000)	711	(6,440)
Property and Assets	(6,000)	(14,791)	3,996	(16,795)
HRA Sub-total	(11,151)	(16,791)	4,707	(23,236)
Council Total	(79,190)	(53,756)	42,382	(90,565)

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

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

The **Insurance and Risk Management** reserves set aside funding to meet potential future costs that may fall to the Council. The largest single element, the Insurance Fund, at £4.4m in General Fund and £3.1m in the HRA, is intended to provide the means to self-insurance (thus reducing the expenditure on insurance premiums).

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

The **Transformation** reserves provide the funding to facilitate the large organisational changes that the Council is undertaking.

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

	2013/14 £'000	2012/13 £'000
Balance brought forward 1 April	(53,916)	(34,218)
Capital receipts in year	(59,709)	(42,316)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	4,965	144
Disposal costs	683	875
Repayment of mortgage principal	(19)	(35)
Transfer from Deferred Capital Receipts Reserve	0	(243)
Financing of capital expenditure	31,901	21,877
Balance carried forward 31 March	(76,095)	(53,916)

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

	2013/14 £'000	2012/13 £'000
Balance brought forward 1 April	(44,944)	(41,752)
Grants transferred to the account in year	(6,971)	(14,849)
Grants applied to capital expenditure	5,434	11,657
Balance carried forward 31 March	(46,481)	(44,944)

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

	2013/14 £'000	2012/13 £'000
Balance brought forward	(13,468)	(4,354)
Decent Homes Funding	(30,140)	(11,343)
Additional transfer to the Major Repairs Reserve	(4,745)	(5,120)
Debits to the MRR in respect of capital expenditure	65,337	27,085
Transfer from HRA equal to depreciation	(20,112)	(19,737)
Total	(3,128)	(13,468)

31. Unusable Reserves

Unusable Reserve	Adjustments between Accounting and Funding Basis 2013/14						
	Opening Balance	Other Comprehensive Income and Expenditure 2012/13	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements*	Closing Balance
	1 April 2013	(CIES)					31 March 2014
	£000	£000	£000	£000	£000	£000	£000
Revaluation Reserve	(203,558)	(53,072)	0	0	0	10,362	(246,268)
Financial Instruments Adjustment Account	3,034	0	(445)	0	0	0	2,589
Pensions Reserve	646,769	(55,645)	776	0	0	0	591,900
Collection Fund Adjustment Account	(8,667)	0	(2,312)	0	0	0	(10,979)
Accumulated Absences Account	4,189	0	91	0	0	0	4,279
Capital Adjustment Account	(1,367,069)	0	(3,319)	(33,490)	(142,925)	(10,362)	(1,557,164)
Deferred Capital Receipts	(445)	0	0	0	19	0	(426)
Total	(925,749)	(108,717)	(5,209)	(33,490)	(142,906)	0	(1,216,069)

Unusable Reserve	Adjustments between Accounting and Funding Basis 2012/13						
	Opening Balance	Other Comprehensive Income and Expenditure 2012/13	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements*	Closing Balance
	1 April 2012	(CIES)					31 March 2013
	£000	£000	£000	£000	£000	£000	£000
Revaluation Reserve	(209,852)	(12,338)	0	0	0	18,632	(203,558)
Financial Instruments Adjustment Account	3,632	0	(599)	0	0	0	3,033
Pensions Reserve	557,479	84,871	4419	0	0	0	646,769
Collection Fund Adjustment Account	(10,031)	0	1,364	0	0	0	(8,667)
Accumulated Absences Account	4,113	0	76	0	0	0	4,189
Capital Adjustment Account	(1,309,680)	0	95,022	(29,908)	(103,872)	(18,632)	(1,367,072)
Deferred Capital Receipts	(739)	0	0	0	243	51	(445)
Total	(965,078)	72,533	100,282	(29,908)	(103,629)	51	(925,751)

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

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

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

Pensions Reserve - Absorbs the timing differences arising from the different accounting arrangements between statutory provisions and accounting practice for post-employment benefits and funding benefits. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees. The balance sheet is updated to recognise the movement in liabilities due to changes in assumptions (including inflation and longevity) and investment returns on resources set aside to meet the cost of the employee benefits.

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

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

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

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

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

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

Financial Instruments Adjustment Account - Absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance and Housing Revenue Account (HRA) to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance and HRA in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed (maximum of 10 years on the HRA). As a result, the balance on the Account at 31 March 2014 will be charged to the General Fund over the next 14 years and to the HRA for the next seven years.

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

Accumulated Absences Account - Absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

NOTES TO THE CASH FLOW STATEMENT

32. Investing Activities

	2013/14 £'000	2012/13 £'000
Purchase of property, plant and equipment, investment property and intangible assets	172,053	123,120
Purchase of short-term and long-term investments	586,730	243,900
Proceeds from the sale of property, plant and equipment and intangible assets	(49,186)	(32,060)
Proceeds from short-term and long-term investments	(515,200)	(210,400)
Other receipts from investing activities	(93,019)	(58,673)
Net cash flows from investing activities	101,378	65,887

33. Financing Activities

	2013/14 £'000	2012/13 £'000
Cash receipts of short and long-term borrowing	(65)	0
Council Tax and NNDR adjustments	(2,611)	667
Other receipts from financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,291	4,199

Repayments of short- and long-term borrowing	(1)	0
Net cash flows from financing activities	2,614	4,866

34. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2013/14 £'000	2012/13 £'000
Interest received	(4,166)	(3,657)
Interest paid	29,977	28,403

35. Cash and Cash Equivalents

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

	31 March 2014 £'000	31 March 2013 £'000
Cash held by the Authority	35	20
Bank current accounts in current assets	61,030	52,657
Short-term deposits with banks	10,190	43,617
Held within Current Assets	71,255	96,294
Bank overdrafts (Held within current liabilities)	(58,734)	(51,722)
Total Cash and Cash Equivalents	12,521	44,572

HRA INCOME AND EXPENDITURE ACCOUNT

The Housing Revenue Account (HRA) is a statutory statement, which summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The Local Government and Housing Act 1989 required the ring fencing of the Account with effect from 1 April 1990, thereby prohibiting cross subsidy between the HRA and the General Fund.

	Note	2013/14		2012/13	
		£'000	£'000	£'000	£'000
Income					
Dwelling rents		(130,296)		(126,037)	
Non dwelling rents		(3,982)		(3,983)	
Charges for services and facilities		(36,604)		(35,123)	
Contributions Towards Expenditure		(1,407)		(571)	
PFI Credit		(7,729)		(6,763)	
			(180,018)		(172,477)
Expenditure					
Repairs and maintenance		32,737		26,651	
Supervision and management		72,780		75,337	
Rents, rates, taxes and other charges		10,691		10,514	
Depreciation of property, plant and equipment	41	20,112		19,736	
Impairment / Revaluation loss	41	(92,623)		7,120	
Debt management expenses		125		134	
Increase in Bad Debt Provision		1,646		839	
			45,467		140,331
Net cost of HRA services included in the Comprehensive Income and Expenditure Statement			(134,551)		(32,146)
HRA share of Corporate and Democratic Core			800		800
Net Expenditure of HRA Services			(133,751)		(31,346)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement					
Interest payable and similar charges – other			18,480		14,997
Gain or Loss on disposal			(37,562)		(17,040)
Interest and investment income			(62)		(235)
Capital Grants and Contributions - other			(36,430)		(15,139)
(Surplus)/Deficit for the year on HRA services			(189,324)		(48,763)

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2013/14	2012/13
	£'000	£'000
Balance on the HRA at the end of the previous year	(9,995)	(5,576)
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(189,324)	(48,763)
Adjustments Between Accountancy Basis and Funding Basis Under Statute	179,392	34,963
Net (Increase) or Decrease before Transfers to or from Reserves	(9,932)	(13,800)
Transfers to or (from) Reserves (see Note 30c)	12,085	9,381
(Increase) or Decrease in year on the HRA	2,152	(4,419)
Balance on the HRA at the end of the current year	(7,843)	(9,995)

NOTES TO THE HOUSING REVENUE ACCOUNT

36. Analysis of the movement on the HRA balance:

	2013/14 £'000	2012/13 £'000
Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	345	499
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:		
Impairments / Revaluation loss	91,873	(7,598)
Capital Grants and Contributions	36,425	14,954
Revenue expenditure financed by capital under statute	(1,085)	(1,129)
S106 Reversal	5	185
Depreciation of non-current assets	(20,112)	(19,736)
Gain or Loss on disposal	37,562	17,040
Mitigation of accumulated absences provision	11	(2)
Net charges made for retirement benefits in accordance with IAS 19	(302)	(2,494)
Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:		
Capital expenditure financed from revenue balances	3,996	0
Minimum Revenue Provision	5,129	5,911
Transfer to Major Repairs Reserve	24,857	24,857
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	688	2,476
Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves	179,392	34,963
Transfer to earmarked reserves	16,791	9,575
Transfer from earmarked reserves	(4,707)	(194)
Net additional amount required by statute to be (debited)/credited to the HRA Balances for the year	191,476	44,344

37. Housing stock

	31 March 2014	31 March 2013
Flats	20,508	20,681
Houses	3,928	3,961
Multi-occupied	142	142
Shared ownership	1	1
Total	24,579	24,785

38. HRA assets

	31-Mar-14 £'000	31-Mar-13 £'000
HRA assets		
Council dwellings	1,586,523	1,385,949
Other Land & Buildings	85,098	82,440
Surplus	4,529	3,745
Vehicles, Plant & Equipment	6,083	5,275
Assets under Construction	53,303	26,561
TOTAL	1,735,535	1,503,969

39. Major repairs reserve – Refer to note 30f.

40. Capital expenditure, financing and receipts

	2013/14 £'000	2012/13 £'000
HRA capital expenditure		
Works to dwellings	93,261	51,013
Other Land & Buildings	52	25
Vehicles, Plant & Equipment	2,561	1,880
Revenue funded from capital under statute	1,085	1,137
	96,958	54,055
Financing of capital expenditure		
Borrowing	25,361	22,930
Usable Capital Receipts	2,259	2,179
Major Repairs Reserve	35,197	27,086
Grants	30,145	1,860
Reserves / Revenue	3,996	0
Total	96,958	54,055
Total Capital Receipts - Dwellings	(49,138)	(27,643)

41. Depreciation and impairment

	2013/14 £'000	2012/13 £'000
Depreciation charged for the year		
Operational assets		
- dwellings	17,014	16,775
- other property	3,028	2,865
Non-operational assets		
- dwellings	62	90
- other property	7	7
Total Depreciation	20,112	19,737
Impairment charged for the year		
Operational assets		
- dwellings	3,784	20,369
- other property	1	311
	3,785	20,680
Impairment losses reversed		
Operational assets		
- dwellings	(95,658)	(12,772)
- other property	(745)	(789)
Non-operational assets		
- dwellings	(5)	0
	(96,408)	(13,561)
Net Impairment	(92,623)	7,120

42. Rent arrears

	2013/14 £'000	2012/13 £'000
Arrears as at 31 March	13,015	14,839
Provision for bad debts	(7,791)	(8,975)
Collectable amount	5,224	5,864

43. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31st March 2014 was £6.362 billion which has been reduced to £1.590 billion to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents.

44. Revenue Expenditure Funded from Capital under Statute

There was a charge of £1,085k (£1,129K in 2012/13) to the HRA in accordance with the provisions of the Code. This was financed by capital resources and accounted for by debiting the capital adjustment account and crediting the HRA balance. This is a reconciling item in the Movement in Reserves Statement. The charge is included in the figure for Repairs and Maintenance.

45. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £302K (charge of £2,494 in 2012/13), 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.

46. Capital Asset Charges Accounting Adjustment (Item 8 Debit / Credit)

This is a notional charge for cost of borrowing in relation to debt.

COLLECTION FUND

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

COLLECTION FUND 2013/14	2013/14			2012/13		
	NNDR £000	Council Tax £000	Total £000	NNDR £000	Council Tax £000	Total £000
INCOME						
Council Tax Receivable		(118,871)	(118,871)		(140,958)	(140,958)
Business Rates Receivable	(121,784)		(121,784)	(113,014)		(113,014)
Transitional Payments	(739)		(739)			0
Business Rates Supplement	(3,886)		(3,886)	(3,868)		(3,868)
	(126,409)	(118,871)	(245,280)	(116,882)	(140,958)	(257,840)
EXPENDITURE						
LB Lambeth	33,646	81,448	115,094	112,529	100,416	212,945
Central Government	56,077		56,077			0
Greater London Assembly (GLA)	22,431	26,671	49,102		33,286	33,286
Business Rates Supplement						
Payment to GLA	3,872		3,872	3,851		3,851
Apportionment of Surplus/Deficit						
LB Lambeth	0	2,749	2,749	0	2,678	2,678
Central Government	0		0	0	897	897
GLA	0	911	911	0		0
Charges to Collection Fund						
Write-offs of uncollectable amounts		8,748	8,748		3,417	3,417
Increase/(Decrease) in Bad Debt Provisions	(182)	(6,146)	(6,328)		2,080	2,080
Increase/(Decrease) in Provision for Appeals	12,857		12,857			0
Transitional Protection Payments Made in 2013/14	783		783			0
Cost of Collection - Business Rates	481		481	485		485
Cost of Collection - Business Rates Supplement	15		15	17		17
	129,980	114,381	244,361	116,882	142,774	259,656
(Surplus) / Deficit) during year	3,571	(4,490)	(919)		1,816	1,816
Collection Fund (Surplus)/Deficit at 31 March 2013	0	(11,573)	(11,573)		(13,389)	(13,389)
Collection Fund (Surplus)/Deficit at 31 March 2014	3,571	(16,063)	(12,492)		(11,573)	(11,573)
Analysed by:						
LB Lambeth	1,071	(12,049)	(10,978)		(8,667)	(8,667)
Central Government	1,786		1,786			0
Greater London Assembly (GLA)	714	(4,014)	(3,300)		(2,906)	(2,906)
Collection Fund (Surplus)/Deficit at 31 March 2014	3,571	(16,063)	(12,492)		(11,573)	(11,573)

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 £'000s		Central Government £'000s		London Borough of Lambeth £'000s		Greater London Assembly £'000s	
	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR
Apportionment Basis	100%	100%	N/A	50%	75.33%	30%	24.67%	20%
Arrears	31,500	6,134	N/A	3,067	23,729	1,840	7,771	1,227
Bad Debt Provision	(25,021)	(3,528)	N/A	(1,764)	(18,849)	(1,058)	(6,172)	(706)
Appeals Provision	N/A	(12,857)	N/A	(6,429)	N/A	(3,857)	N/A	(2,571)
Overpayments & Pre-payments	(8,986)	(6,657)	N/A	(3,328)	(6,770)	(1,997)	(2,217)	(1,331)
(Surplus)/Deficit	(16,063)	3,571	N/A	1,786	(12,049)	1,071	(4,014)	714

NOTES TO THE COLLECTION FUND

47. Council Tax

Under the arrangements for Council Tax, each domestic property within the Council's area was assigned to one of eight valuation bands based on the estimated market value at 1 April 1991. The total number of dwellings in each band is then adjusted to account for discounts, exemptions and other expected movements in the year. The Council Tax is set for band D properties and the tax for other bands calculated as a proportion of the band D tax. The localization of Council Tax caused a reduction of the Council Tax Requirement, as Council Tax Support now forms part of the Council's financial settlement rather than an aspect of the Collection Fund, which lowered the tax base.

For the year ended 31 March 2014, the band D Council Tax was set at £1,228.29 based upon a tax base of 88,024 (for 2012/13, £1,232.01 based upon a tax base of 108,524) and included the £303.00 requirement of the Greater London Authority (£306.72 in 2012/13). The table below shows the calculation of the Council Tax Base for 2013/14.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,611	2,629	6/9	1,753
B	31,476	17,656	7/9	13,733
C	38,271	26,480	8/9	23,538
D	28,432	21,268	9/9	21,268
E	13,518	10,824	11/9	13,229
F	8,511	7,384	13/9	10,666
G	5,060	4,732	15/9	7,886
H	587	556	18/9	1,111
TOTALS	130,466	91,529		93,184
Adjustment for collection rate				(5,160)
Tax base for Council Tax purposes				88,024

48. National Non-Domestic Rates are set by Parliament, which specifies an amount, 47.1p in 2013/14 (45.8p in 2012/13) as the standard multiplier and 46.2p as the small business rate multiplier (45p in 2012/13). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2013/14 NNDR income is based upon a total rateable value for the borough of £315.3m at 31 March 2014 (£313.3m at 31 March 2013).

NNDR is divided into three elements: the Revenue Service Grant (RSG), the top-up amount (as Lambeth collects less than it 'needs') and the retained element, which is contained within the Collection Fund. The retained element is an estimate of the billing authority collection level, so if the Council collects below that level it loses out and if it collects above it gains. Some authorities collect more than they 'need' and pay a tariff, while others are subject to levies if growth is 'disproportionate'. The amount that the Council collects is divided between Lambeth (30%), GLA (20%) and Central Government (50%).

As 2013/14 was the first year of the scheme, precept payments were solely based upon the NNDR1 estimate, which is a January Government return. In 2014/15, the payment is based upon the 2014/15 estimated collection and 2013/14 surplus/deficit. However, as the 2014/15 NNDR1 is returned before the end of 2013/14, in 2015/16 an adjustment must be made between the actual and the estimated surplus/deficit. Every subsequent year, an adjustment figure is required, but in Year 1, only the estimated collection, Appeals Provision, Transition Costs and Bad Debt Provision charges form part of the Collection Fund. The Appeals Provision figure reflects estimated losses from businesses successfully appealing past rates while the bad debt provision reflects the probable non-payment of rates whose debt was legitimately raised.

49. Business Rate Supplements (BRS)

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

The accounting statement shows:

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

PENSION FUND

PENSION FUND ACCOUNT	Note	2013/14		2012/13	
		£'000	£'000	£'000	£'000
Contributions And Benefits					
<i>Contributions:</i>	56a				
From employers		45,901		38,832	
From employees		8,940		8,207	
Transfers in		3,014		3,148	
Income re equivalent contribution scheme		9	57,864	2	50,189
<i>Benefits:</i>					
Pensions		(39,423)		(37,407)	
Commutations and lump sum retirement benefits		(7,486)		(5,966)	
Lump sum death benefits		(744)	(47,653)	(1,346)	(44,719)
<i>Leavers</i>					
Refunds to members leaving service		(37)		(12)	
Transfers out – Individuals		(3,322)		(3,115)	
State Scheme Premiums		(4)	(3,362)	(2)	(3,129)
Administrative And Other Expenses Borne By The Scheme	57		(904)		(849)
			(51,920)		(48,697)
Net investments from dealings with members			5,944		1,492
Returns on investments					
Income earned on investments	58	30,013		21,431	
Change in market value of investments		47,350		91,213	
Investment management expenses	59	(2,176)		(1,660)	
Net return on investments			75,187		110,984
Net increase in the Fund during the year			81,131		112,476
Opening net assets of the scheme			951,032		838,556
Closing net assets of the scheme			1,032,163		951,032

NET ASSETS STATEMENT	Note	Valuation	2013/14		2012/13	
			£'000	£'000	£'000	£'000
Investment Assets	60					
UK equities (shares) – quoted		Market Value	106,226		95,038	
Overseas equities (shares) – quoted		Market Value	24,781		13,154	
Cash Deposits			0		10,682	
Investment Liabilities						
Cash			(954)		0	
Pooled Investment Vehicles						
Pooled Funds		Market Value	13,776		10,244	
Unit trusts		Market Value	729,327		691,929	
UK unit trusts – property		Market Value	113,125		94,672	
Private Equity		Market Value	36,117		36,557	
Investment in cash instruments		Market Value	6,557	1,028,954	4,819	957,095
Current Assets						
Investment income accrued			6,115		300	
Cash at Bank			9,016	15,131	922	1,222
Current Liabilities						
Inland Revenue			(9)		(9)	
Due to London Borough of Lambeth			(11,913)	(11,922)	(7,276)	(7,285)
Net assets at 31 March			1,032,163		951,032	

NOTES TO THE PENSION FUND

50. Description and Membership of the Fund

The London Borough of Lambeth Pension Fund is a funded, defined benefit scheme. The Fund is administered in accordance with the Local Government Pension Scheme (LGPS) Regulations 1997 and the LGPS (management and Investment of Funds) Regulations 1998. Pension Fund administration is carried out in-house, whilst custodial arrangements and fund investment management is mainly outsourced to external investment managers under the guidance of Lambeth's Pension Fund Investment Panel. The investment portfolio is managed by the fund managers under the Statement of Investment Principles laid down by the Council.

The objective of the Fund is to provide secure future income for Council employees and employees of outside organisations, who have entered into an agreement with Lambeth for pension purposes. The following table provides membership numbers for those organisations as at 31 March 2014.

Employer	Active	Deferred	Pensioner
Administrative Body – London Borough of Lambeth	4,338	7,533	6,448
Scheduled Bodies	456	235	47
Admitted Bodies	12	30	19
Community Admission Bodies	28	34	11
Total	4,834	7,832	6,525

Following Lord Hutton's review on public sector pension scheme and as a proposed new scheme LGPS 2014 was introduced. From April 2014 there is a new contributions banding table. the rate of contributions you pay will be based on your actual pensionable pay and if you get paid non-contractual overtime you will also pay contributions on this pensionable pay. In the new scheme there are nine different contribution banding rates between 5.5% and 7.5%.

Membership in the Scheme as at 31 March 2014 was made up of, 4,834 active members (4,527 in 2012/13), 6,525 pensioners (6,369 in 2012/13) and 7,832 deferred pensioners (7,424 in 2012/13).

51. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position as at 31 March 2014. The accounts have been prepared in accordance the CIPFA code of practice on local authority accounting in the United Kingdom 2013/14 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 which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in the accompanying actuary report.

52. Summary of Significant Accounting Policies

Accruals Concept

Unless otherwise stated, the accounts have been prepared on an accruals basis. The transfer values have been accounted on a cash basis (see transfer values policy below) and the administrative expenses are based on actual spending for the year for pension administration and pension fund administration. The basis of preparation is consistent with last year.

Valuation of Investments

- Overseas securities and cash are translated into sterling using prevailing rates of exchange at the balance sheet date.
- Unlisted securities are valued having regard to latest dealings, professional valuations, asset values, currency rates and other appropriate financial information adjusted to reflect cash transactions up to 31 March 2014.
- All listed investments are quoted at the bid price at the close of business on 31 March of each financial year.
- Investments in pooled investment vehicles are stated at the bid value of the latest prices quoted by their respective managers, or if single priced, at the closing single price.

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Most investments are in pooled funds where the change in market value will reflect investment income earned by the Fund and fees and expenses charged to the Fund.

Investment expenses

Regulations published in 1989 permit the Council to charge administration costs to the Pension Fund. A proportion of the relevant Council officers' salaries, including related on-costs, have been charged to the Fund based on estimated time spent on Fund administration and investment related business. The fees of the Fund's investment managers have been accounted for on the basis contained within their respective management agreements.

Contributions

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

Benefits and Refunds

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

Transfer Values

Transfer values are those funds paid to or received from other pension schemes for individuals and relate to periods of previous pensionable employment. Transfer values received and transfer values paid are accounted for on a receipts and payments basis. Final transfer amounts can vary by interest added thereon depending on the date of settlement.

Pension Increases

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

Administrative Expenses

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

53. Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The private equity investments are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidance set out by the British Venture Capital Association. The value of unquoted private equity at 31 March 2014 was £36.1m (2012/13 £36.6m).

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidance and in accordance with IAS 26. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 64. This estimate is subject to significant variances based on changes to the underlying assumptions. Under paragraph 6.5.2.9 of the IFRS Code - IAS 26 requires the 'actuarial present value of promised retirement benefits' to be disclosed. The information is included in note 65.

54. Assumption made about the future and other major sources of estimation uncertainty

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £134.5m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £30.m, and a one year increase in assumed life expectancy would increase the liability by approximately £46.5m.
Private equity	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publically listed and as such there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2014 is £36.1m.	The total (called) private equity investments in the financial statements is £36.1m. There is a risk that this investment may be under-or overstated in the accounts.
Hedge fund of funds	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund if funds' directors or independent administrators judge necessary. These investments are not publically listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £101.9m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £5.1m.

55. Events after the Balance Sheet Date

There have been no events since 31 March 2014, and up to the date when these accounts were authorised that require any adjustments to these accounts.

56. Total Contributions

a) Contributions from Employers	2013/14	2012/13
	£'000	£'000
Normal	24,136	21,747
Deficit Funding	21,765	17,085
Total	45,901	38,832

b) Total Contributions Received and Benefits Paid (2013/14)	Administering Body (Lambeth)	Scheduled Bodies	Admitted Bodies
	£'000	£'000	£'000
Contributions received	50,980	3,467	394
Benefits paid	47,345	211	97

57. Administrative Expenses

	2013/14	2012/13
	£'000	£'000
Pensions Administration	493	498
Pension Fund Administration	239	202
Additional Central Overhead Recharges (SerCOP)	172	149
Total	904	849

58. Investment Income

	2013/14	2012/13
	£'000	£'000
Interest Income	67	247
Dividends on Equities	29,724	20,823
Receipts and disbursements	222	361
Total	30,013	21,431

59. Investment expenses

	2013/14	2012/13
	£'000	£'000
Management Fees	2,012	1,595
Other	164	65
Total	2,176	1,660

The total management expenses incurred for the year was £6m of which only £2.2m was actually remitted; the remainder was deducted in the daily pricing of the individual portfolios

60. Investments

The table below shows a detailed breakdown of the investments held by the Pension Fund at the year end.

	2013/14		2012/13	
	£'000	£'000	£'000	£'000
UK EQUITIES				
Oil & Gas	24,547		12,818	
Basic Materials	1,846		4,353	
Construction, Industrial Goods & Services	9,719		11,220	
Consumer Goods	993		1,926	
Health Care	15,838		6,354	
Consumer Services	37,489		35,517	
Financials	14,631		20,252	
Information Technology	1,163		2,598	
Total UK Equities		106,226		95,038
POOLED INVESTMENT VEHICLES				
Pooled Funds	13,776		10,244	
Unit Trust	729,326		691,929	
Total Unit Trusts		743,102		702,173
OVERSEAS EQUITIES				
United States	3,523		5,535	
Europe	19,873		6,710	
Japan	678		909	
Emerging Markets and Other	707		0	
Total Overseas Equities		24,781		13,154
UK Unit Trusts - Property		113,125		94,672
Private Equity		36,117		36,557
Cash Instruments		6,557		4,819
Cash Deposits		(954)		10,682
Total Value of Investments		1,028,954		957,095

61a. Reconciliation of movements in investments and derivatives

Investment Managers	Opening balance	Purchases	Sales	Realised gain/(loss)	Unrealised gain/(loss)	Unanalysed movement	Closing balance	Total Mov't
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adams Street	36,557	2,623	0	0	(3,063)	0	36,117	(440)
Insight	279,787	9,175	(161)	0	(1,425)	0	287,376	7,589
Baillie Gifford	118,856	0	0	0	15,180	0	134,036	15,180
Blue Crest	28,254	0	0	0	504	0	28,758	504
Invesco	93,255	18,529	0	0	(245)	0	111,539	18,284
Majedie	123,255	103,203	(97,500)	16,041	5,007	0	150,006	26,751
MFS	124,715	204	0	0	9,972	0	134,891	10,176
PAAMCO	65,742	0	0	0	7,374	0	73,116	7,374
Principal	32,843	71	0	0	(4,889)	0	28,025	(4,818)
RREEF	1,417	0	0	0	169	0	1,586	169
Standard Life	41,732	0	0	0	1,395	0	43,127	1,395
Cash	10,682	0	0	0		(10,305)	377	(10,305)
TOTAL	957,095	133,805	(97,661)	16,041	29,979	(10,305)	1,028,954	71,859

Transaction costs are included in the cost of purchases and in sales proceeds. These include costs charged directly to the Fund, such as fees, commissions, stamp duty and other fees. Transactions cost incurred during the year total £381k (£345K in 2012/13). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

Investment Managers	Balance 01-Apr-12	Purchases	Sales	Realised gain/(loss)	Unrealised gain/(loss)	Unanalysed Movement	Balance 31-Mar-13	Total Movement
	Balance	£'000	£'000	£'000	£'000	£'000	Balance	£'000
Adams Street	32,522	4,643	0	0	(608)	0	36,557	4,035
Insight	237,020	21,653	(3,879)	0	24,993	0	279,787	42,767
Baillie Gifford	99,399	0	0	0	19,457	0	118,856	19,457
Blue Crest	23,238	3,200	0	0	1,816	0	28,254	5,016
Invesco	88,436	4,674	0	0	145	0	93,255	4,819
Majedie	97,481	71,225	(62,800)	6,343	11,006	0	123,255	25,774
MFS	100,365	136	0	0	24,214	0	124,715	24,350
PAAMCO	53,415	7,400	0	0	4,927	0	65,742	12,327
Principal	35,707	316	(1)	0	(3,179)	0	32,843	(2,864)
RREEF	1,569	0	(9)	0	(143)	0	1,417	(152)
Standard Life	39,490	0	0	0	2,242	0	41,732	2,242
Cash	29,538	0	0	0	0	(18,856)	10,682	(18,856)
TOTAL	838,180	113,247	(66,689)	6,343	84,870	(18,856)	957,095	118,915

61b. Analysis of Investments

	UK Equities & Pooled Funds	UK Unit Trusts-Property	Overseas Equities	Private Equity	Unit Trust	Cash Instruments	Cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adam Street	0	0	0	36,117	0	0	0	36,117
Baillie Gifford	0	0	0	0	134,036	0	0	134,036
Blue Crest	0	0	0	0	28,758	0	0	28,758
Invesco	0	111,539	0	0	0	0	0	111,539
Insight	0	0	0	0	287,374	0	2	287,376
Majedie	120,001	0	24,781	0	0	6,557	-1,333	150,006
MFS	0	0	0	0	134,891	0	0	134,891
PAAMCO	0	0	0	0	73,116	0	0	73,116
Principal	0	0	0	0	28,025	0	0	28,025
RREEF	0	1,586	0	0	0	0	0	1,586
Standard Life	0	0	0	0	43,127	0	0	43,127
State Street	0	0	0	0	0	0	377	377
TOTAL	120,001	113,125	24,781	36,117	729,327	6,557	-954	1,028,954

As at 31 March 2014, the total market value of the investments was £1,029m (£957.1m as at 31 March 2013), of which 14.6% was managed by Majedie Asset Management in a segregated portfolio, and 81.9% in unit trust vehicles by various managers.

On the remainder £36.1m (3.5%) invested in Private Equity with Adams Street Partners. Private Equity investment is valued at the latest available estimated valuation as at 31 March 2014. Overall, the Fund has committed 5% of the market value of the Pension Fund to be invested in private equity.

62. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

62a. Classification of financial instruments

	2013/14			2012/13		
	Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000	Designated as fair value through profit & loss £'000	Loans & Receivables £'000	Financial Liabilities at amortised cost £'000
Financial Assets						
Equities	131,007	0	0	108,192	0	0
Pooled Investments	743,103	0	0	702,173	0	0
Pooled property Investments	113,125	0	0	94,672	0	0
Private Equity	36,117	0	0	36,557	0	0
Cash and cash Instruments	0	14,619	0	0	16,424	0
Debtors	0	6,115	0	0	300	0
	1,023,352	20,734	0	941,593	16,724	0
Financial Liabilities						
Creditors	0	0	(11,922)	0	0	(7,285)
Total	1,023,352	20,734	(11,922)	941,593	16,724	(7,285)

The carrying values and fair values of the financial assets and financial liabilities are the same.

62b. Net gain and losses on financial instruments

Fair value through profit and loss on financial assets was £47.3m (£91.2m in 2012/13)

62c. Fair Value of financial instruments and liabilities

There is no difference between the fair value and carrying value of the financial instruments and liabilities.

62d. Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values as 31 March 2014	Quoted market price	Using observable inputs	With significant unobservable inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial Assets				
Financial assets at fair value through profit and loss				
Equity	151,339	0	0	151,339
Unit Trust	627,452	0	101,874	729,326
Property - Unit trust	0	113,125	0	113,125
Private Equity	0	0	36,117	36,117
	778,791	113,125	137,991	1,029,907

63. 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 asset 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 Council manage these investments risks as part of its overall Pension Fund risk management programme.

63a. (1) Market risk and the sensitivity analysis

Market risk is the risk from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spread. The Fund is exposed to market risk from investments activities, particularly through its equity holdings. Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisor, the council has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

Asset Type	Value as at 31 March 2014 £000	Percentage Change %	value on Increase £000	value on decrease £000
Cash and cash equivalents	14,620	0	14,620	14,620
Investment Portfolio assets:				
UK Equities	120,001	12.26%	134,713	105,289
Global Equities- Unit Trust	293,709	11.22%	326,663	260,755
Property - Unit Trust	113,125	2.74%	116,225	110,025
Active currency - Unit Trust	28,025	6.77%	29,923	26,128
Diversified Growth - Unit Trust	43,127	4.43%	45,037	41,216
Hedge Fund - Unit Trust	101,874	4.48%	106,438	97,310
Corporate Bond - Unit Trust	287,373	5.31%	302,633	272,114
Private Equity	36,117	5.28%	38,024	34,210
Investment income Due	6,115	0	6,115	6,115
Amount payable to Inland revenue	(9)	0	(9)	(9)
Amount payable to LB Lambeth	(11,913)	0	(11,913)	(11,913)
Total assets available to pay benefits	1,032,164		1,108,469	955,860

Asset Type	value as at 31 March 2013 £'000	Percentage Change %	value on Increase £'000	value on decrease £'000
Cash and cash equivalents	16,423	0	16,423	16,423
Investment Portfolio assets:				
UK Equities	118,436	13.00%	133,833	103,039
Global Equities- Unit Trust	243,571	11.90%	272,556	214,586
Property - Unit Trust	94,672	1.80%	96,376	92,968
Active currency - Unit Trust	32,843	6.20%	34,879	30,807
Diversified Growth - Unit Trust	41,732	4.50%	43,610	39,854
Hedge Fund - Unit Trust	93,996	4.10%	97,850	90,142
Corporate Bond - Unit Trust	279,787	5.20%	294,336	265,238
Private Equity	36,557	5.20%	38,458	34,656
Investment income Due	300	0	300	300
Amount payable to Inland revenue	(9)	0	(9)	(9)
Amount payable to LB Lambeth	(7,276)	0	(7,276)	(7,276)
Total assets available to pay benefits	951,032		1,021,336	880,728

63a. (2) Interest rate risk and the sensitivity analysis

The Fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates movement and assessment of the actual interest rates against the relevant benchmarks. The Fund's direct exposure to interest rate movements as at 31 March 2014 is set out below. This disclosure presents interest rate risk based on the underlying financial asset at fair value.

Asset Type	carrying amount as at 31 March 2014 £000	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
Cash Balances	8,062	81	(81)
Cash Instruments	6,557	66	(66)
Total change in assets value	14,619	146	(146)

63a. (3) Currency risk and the sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisers the Fund considers the likely volatility associated with foreign exchange rate movements are as below. This analysis assumes that all other variables, in particular interest rates remain constant. Strengthening or weakening of the pound, as below, against the various currencies in which the Fund holds investments, would increase or decrease the nets assets available to pay benefits as follows.

Asset Type	Carrying amount as at 31 March 2014	Percentage Change	Change in year in the net assets available to pay benefits	
	£000	%	£000	£000
Global Equities	293,709	5.67%	310,362	277,055
Private Equity	36,117	8.07%	39,032	33,202
Property	111,542	6.31%	118,580	104,503
Total change in assets value	441,368		467,974	414,760

63b. Credit risk

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five years. The fund's cash holding under its treasury managements arrangements as at 31 March 2014 is as follows:-

Summary	Rating	31-Mar-14	31-Mar-13
		£000	£000
Bank deposits account			
Royal Bank of Scotland	A	9,016	922

63c. Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. The fund defines liquid assets as assets that can be converted to cash within three months. As at 31 March 2014 the value of illiquidity asset was £37.7m, which represented 3.7% of the total fund assets

64. Funding Arrangements

In line with the local government pension scheme (administration) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. The next valuation will take place as at 31 March 2016.

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

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

- Rate of price inflation at 2.5% per annum.
- Rate of future pension increases at 2.5% per annum.
- Rate of future pay increases at 4.3% per annum.*
- Discount rate at 4.6%.

(*plus an allowance for promotional pay increases)

At 31 March 2013, the scheme's net assets were valued at £951m and the actuarial value of the assets was sufficient to cover 72.6% of the benefits that had accrued to members. This is after allowing for expected future increases in earnings. In order to achieve 100% coverage by the end of the average expected working lifetime under stabilisation method of the current contributors, an employer's contribution rate of 16.8% per annum of payroll is paid into the Fund. From April 2014 an additional sum of £20m is also paid annually based on the assumption that the deficit is funded over 20 years.

65. Actuarial Present Value of Promised Retirement Benefits

IAS26 Accounting and Reporting by Retirement Benefit Plans imposes a requirement on administering authorities to disclose the actuarial present value of promised retirement benefits. This has been calculated in accordance with the defined benefit obligation under IAS 19 Employee Benefits. The valuation of liabilities as at 31 March 2013 has been carried out using assumptions that are in line with IAS 19 as opposed to the Pension Fund's funding assumptions. These are as follows:

Rate of inflation	2.8%
Rate of increase in salaries	4.6%
Rate of increase in pensions	2.8%
Rate for discounting scheme liabilities	4.3%

Longevity Assumptions	Males	Females
Current pensioners	21.7 years	24.0 years
Future pensioners*	24.3 years	26.6 years

*Future pensioners are assumed to be currently aged 45

Commutation Assumption

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free cash for post-April 2008 service.

Year ended	31-Mar-14 (£m)	31-Mar-13 (£m)
Present value of promised retirement benefits	1,509	1,510

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The actuary has estimated that the liability at 31 March 2014 comprises £457m in respect of employee members, £440m in respect of deferred pensioners and £612m in respect of pensioners. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable. However, the actuary is satisfied that the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. No allowance has been made for unfunded benefits

66. Additional Voluntary Contribution (AVC)

According to regulation 5(2) (C) of the Pension Scheme (Management and Investment of Funds) Regulation 1998, the Additional Voluntary Contributions are not included in the Pension Fund Accounts. The AVCs are invested separately and the table below shows the details, the contributions received and the value of the investments as at 31 March 2014.

Name	Total contribution £'000	Value of fund £'000
Prudential	174	1,059
Equitable Life	7	453
Clerical Medical	19	262
Total	200	1,774

67. Contingent Liabilities

Outstanding capital commitment (investments) at 31 March 2014 totalled £6.9m (31 March 2013 £10.4m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity of the portfolio. The amounts called by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

68. Contingent Assets

Admitted body employers in Lambeth Pension Fund hold insurance 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.

69. Impairment Losses.

There is no recognised impairment loss during the financial year

A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

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

Accruals

The accruals concept means that transactions within the Comprehensive Income & Expenditure Statement are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2012 is expected to arrive in April 2012, it will be accounted for in the 2011/12 accounts (the financial year it relates to), not the 2012/13 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 assets and liabilities

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

Depreciation

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

General Fund (GF)

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

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future; in particular, that the revenue accounts and balance sheet are not based on the assumption of an intention to curtail significantly the scale of operations.

Housing Revenue Account (HRA)

A statutory account that contains all expenditure and income to 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.

Materiality

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

Movement In Reserves statement (MIRs)

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

Provisions

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

Prudence

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

Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

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.

