



# Lambeth

**2011/2012**

## **Statement of Accounts**



Brixton Windmill

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## FOREWORD TO THE ACCOUNTS

This document sets out the London Borough of Lambeth's Annual Accounts for the year 2011/12, prepared on an International Financial Reporting Standard (IFRS) basis. The financial position is regularly monitored and reviewed throughout the year and this Statement of Accounts brings together the financial results of all the Council's operations for the year and its position as at 31 March 2012.

The purpose of this foreword is to offer an easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the Council's financial position, and assists in the interpretation of the financial statements.

It also contains a commentary on the major influences affecting the Council's income and expenditure and cash flow, and information on its financial needs and resources. It is not the purpose of the foreword to comment on the policies of the Council, rather to explain the financial facts.

This foreword provides a guide to the Council's accounts for the year ended 31 March 2012. The Accounts and Audit Regulations 2003 (as amended) require the Statement of Accounts to be approved by the Chief Finance Officer by 30 June 2012. In Lambeth, this is Mike Suarez, the Executive Director of Finance and Resources.

The accounts are set out on pages 42 to 164.

This section consists of a technical explanation of accounting conventions used in the Statements followed by a practical description of the main conclusions to be drawn from the accounts.

The statements have been prepared in accordance with proper accounting practices and all relevant statutory requirements. Proper accounting practices represent compliance with the following:

- The Local Government Act 2003 (as amended)
- All relevant International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations as adopted by the European Union
- The Code of Practice on Local Authority Accounting in the UK 2011/12 issued by the CIPFA/LASAAC Joint Committee, a body recognised by the Accounting Standards Board (ASB)
- The Service Reporting Code of Practice 2011/12 (SeRCOP issued by CIPFA) that establishes proper practice for consistent financial reporting below the Statement of Accounts level and has statutory recognition.

The Statement of Accounts comprises:

**The Statement of Responsibilities for the Statement of Accounts** sets out the Council's and the Chief Finance Officer's responsibilities for the statement of accounts. It also carries the certification of the Chief Finance Officer.

**The Annual Governance Statement** is not part of the accounts but is shown alongside them. The statement sets out the main components of internal control and the framework within which the Council's internal control is managed and reviewed, including the arrangements for internal audit. It also reports on significant weaknesses and areas for improvement identified and the actions taken to rectify or strengthen these areas. The statement is signed by the Chief Executive and the Leader of the Council.

**The Statement of Accounting Policies** explains the basis for the recognition, measurement and disclosure of figures and events in the accounts and is intended to aid the reader's understanding of the accounts.

### Core Financial Statements

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (those that can be applied to fund expenditure or to reduce Council Tax or HRA rent payable) and other reserves which represent technical accounting adjustments. The statement reconciles

the Surplus or (Deficit) on the Provision of Services to the General Fund and Housing Revenue Account balances, which are used for council tax setting and dwellings rent setting purposes.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council'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 **Comprehensive Income and Expenditure 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. Taxation is raised to cover expenditure in accordance with Council Tax regulations; this may be different from the accounting cost e.g. provision for capital debt repayment. The taxation position is shown in the Movement in Reserves Statement.

The **Balance Sheet** is fundamental to the understanding of the Council's financial position as at 31 March 2012. It shows the balances and reserves at the Council's disposal, its long-term indebtedness, the net assets employed in its operations, together with summarised information on the fixed assets held. It includes the Housing Revenue Account and the Council's own share of the Collection Fund and the Pension Fund, but excludes Trust Funds.

The **Cash Flow Statement** demonstrates the relationship between the total movements of the Council's assets and liabilities during the financial year and cash received and paid in external transactions for revenue and capital purposes.

The **Notes to the Primary Statements of the Accounts** provide a more detailed analysis of the entries in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet and Cash Flow Statements.

### **Supplementary Financial Statements**

The Council is required, by law, to account separately for the provision of Council housing. The **Housing Revenue Account (HRA)** shows the major elements of housing revenue expenditure; repairs and maintenance; administration and capital and financing costs; and how the expenditure is financed from rents, grants and other income. The account is supported by the Statement of Movement on the HRA Balance, which reflects the items which should be included or excluded from the Income and Expenditure Account in order to arrive at the HRA balance which affects the level of rent set by the Council.

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)]. NNDR income is passed on to Central Government after allowing for the Council's cost of collection. The Council Tax income is distributed between the Council and the Greater London Authority in accordance with their precept requirements at the time of setting the Council Tax. The Council's share of income from the Collection Fund is shown in the Comprehensive Income and Expenditure Account.

The **Pension Fund** accounts show the contributions to the Council's Pension Fund, the benefits paid from it and the financial position as at 31 March 2012. The Council acts as trustee for the Pension Fund which is separate from all of the other accounts. The Balance Sheet shows on a single line, the net assets of the Pension Fund attributable to the Council together with the liability of the Council to pay future pensions.

### **Changes to the 2011/12 Statement of Accounts**

The Statement of Accounts for 2011/12 includes the restatement of some transactions and the Housing Revenue Account (HRA) and General Fund (GF) balances with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2010/11. This has also necessitated the preparation of a third balance sheet showing the opening position of 2010/11. Further details are in the notes to the accounts and are summarised below.

The following accounting and disclosure changes resulted from new or changed requirements introduced by the updated accounting guidance issued by CIPFA:

### **Remuneration and exit packages**

The 2011/12 Code requires additional disclosures in respect of remuneration and exit packages. There are two related existing disclosures required by the regulations which are ongoing requirements:

- Figures for the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands
- The individual remuneration of employees whose remuneration exceeds £150,000 or is a Senior Officer.

### **Annual Governance Statement**

Within the annual governance statement, an authority must now include a specific statement on whether the authority's financial management arrangements conform to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.

### **Heritage assets**

The Code adopts the requirements of FRS 30 Heritage Assets. The 2010/11 Code did not require Heritage Assets to be reported separately. Heritage assets (other than operational heritage assets, where the accounting remains unchanged) were previously reported under property, plant and equipment, where they were included on the Balance Sheet.

Heritage assets are carried at valuation where possible and additional disclosures are required. These changes represent a change in accounting policy that have required additional disclosures in both the 2011/12 and the 2010/11 financial statements. Full details of the council's heritage assets and their treatment can be found in the Accounting Policies section.

### **Service analysis**

Changes to guidance required income and expenditure previously shown under a single line, "Culture, Environment, Regulatory and Planning Services", to be split across three separate lines within the Comprehensive Income and Expenditure Statement. Comparatives were restated to show on the same basis. The changes made are summarised in note 3 to the accounts.

### **Council Performance**

The Council produces a quarterly performance digest for review by the Strategic Leadership Board and Cabinet. The following sets out some of the key achievements for the year:

- Attainment levels at primary and secondary schools have continued to improve in 2011/12 (the academic year ending in summer 2011), with many national targets being achieved, including 61.1% of pupils achieving 5 or more A\*-C grades at GCSE, including English and Maths. This is an increase from 52.7% in the prior year.
- The proportion of children becoming the subject of child protection plan (CPP) for a second or subsequent time in 2011/12 is 11.7% compared to a target of 15%. In previous years, performance was calculated on a rolling 12 month basis but this has been changed in 2011/12 to a "within year" calculation, therefore no comparative data is provided.
- The proportion of 16 to 18 year olds who are not in education, employment or training (NEET) has reduced from 7.4% in 2010/11 to 5.14% in 2011/12. Lambeth's figure is the lowest across the 8 central London boroughs (Hackney, Wandsworth, Westminster, Southwark, Islington, Camden, Kensington and Chelsea) and brings performance to well within target.
- The percentage of adult social care service users who say the social care and support they receive maintains or improves their financial situation has increased from 90% in 2010/11 to 92% in 2011/12.
- The number of non-decent council homes made decent this year has increased from 229 in 2010/11 to 777 in 2011/12. It is also an increase of 222 in comparison to the target of 555 for 2011/12.

- 2011/12 saw the amount of residual waste per household reduced to 462kg. This is an improvement on the performance in 2010/11, which saw residual waste per household of 470kg. The percentage of household waste recycled or composted in 2011/12 was 30%, an improvement on the performance in 2010/11 of 28%. This is as a result of a new residual waste collection policy taking effect from 4 April 2011 which aims to reduce the amount of residual waste and increase recycling rates.

### **Summary of financial performance in the year**

The Council incurs both revenue and capital expenditure in the year. Revenue expenditure covers items which are consumed within one year e.g. salaries and wages, rents, rates, fuel, supplies and repairs and is financed mainly from government grants, NNDR, Council Tax and fees and charges. In contrast, capital expenditure covers items with a life longer than a year such as the building of a new secondary school and is financed by grants from government or other sources, receipts from the sale of assets, borrowing and some contributions from revenue.

The financial position of the Council is regularly monitored and reviewed throughout the financial year and this statement represents the final results. It shows that at the end of 2011/12, the Council's General Fund balance stood at £25.2m, and the Housing Revenue Account balance stood at £5.6m.

### **Key Statistics**

- The General Fund balance as at 31 March 2012 (excluding schools balances) stands at £25.2m compared with a balance of £28.9m at the start of the year.
- The Locally Managed Schools (LMS) balance as at 31 March 2012 stands at £14.0m compared with a balance of £12.1m at the start of the year.
- The Housing Revenue Account balance stands at a surplus of £5.6m at 31 March 2012 compared with £2.0m (restated) at the start of the year.
- The Council's share of the Collection Fund balance as at 31 March 2012 stands at a £10.0m surplus (total surplus £13.4m) compared with £5.5m at the start of the year (total surplus £7.4m).
- The Pension Fund net assets balance (market value) as at 31 March 2012 stands at £838.6m compared with a balance of £778.3m at the start of the year.
- The Capital Receipts Reserve as at 31 March 2012 stands at £34.2m compared to £28.8m at the start of the year.
- Long-term debt outstanding as at 31 March 2012 stands at £435.2m compared to £600.4m at the start of the year.
- The Revaluation Reserve as at 31 March 2012 stands at £209.9m compared to £260.4m at the start of the year.
- The Council's land and buildings (excluding surplus assets) are valued at £1.8bn as at 31 March 2012 compared to £1.9bn at the start of the year.
- Cash and cash equivalent balances as at 31 March 2012 stand at £27.2m compared to £34.5m at the start of the year.
- For the year to 31 March 2012 gross expenditure on services of £1.2bn was offset by gross income of £0.8bn (£1.4bn and £0.8bn in 2010/11) to give a net cost of services figure of £0.4bn (£0.6bn in 2010/11).

### **Looking Forward**

Resource pressures resulting from the Government's policies on deficit reduction and the wider economic picture of the UK are expected to continue to challenge local government finances. Against this backdrop Lambeth closed 2011/12 by delivering £39.4m of the £41m savings to be achieved. This has provided a strong base on which to consolidate the Council's position in 2012/13; however, Lambeth has budgeted to find a further £29.2m. Further savings have also been identified in 2013/14 and 2014/15 in order to achieve the £94.5m savings target identified by the Council for the 4 years of the 2010 Spending Review period. In such times of unprecedented levels of constraint on resources, it cannot be discounted that there remains a real risk that a shortfall may occur. In order to mitigate this risk Lambeth is continuing to use its 'savings tracker' which proved an effective tool in monitoring the

achievement of the savings targeted in 2011/12. Where it appears that savings proposals will not be achieved, alternative options will be explored, informed by the cumulative impact and also by whether budgets are underspending in other areas. The Council also maintains a General Fund balance of £25.2m, which is 7.9% of the net General Fund budget and is within the range of between 5% and 10% recommended by the Council's Section 151 Officer. It is important to maintain this 'buffer' at prudent levels, as any failure to deliver 2012/13 or future years' savings will have to be met from this fund.

The 2010 Spending Review announced cuts in overall funding for local government of 28% over 4 years. There is as yet no indication of the potential settlement for the remaining two years of the period after 2012/13 and the real impact of the 2013/14 draft settlement will not be known until the Government makes its announcements around December 2012. The Chief Secretary to the Treasury has advised that government departments must identify a further 5% of their budgets as part of the measures required to tighten financial management. This would equate to £15.2m for Lambeth; an extra amount of savings that would need to be found over and above those savings already budgeted. The current planning assumption is that, in the absence of corrective action beyond the savings currently identified, the Council should anticipate an emerging revenue budget deficit in the broad range of £25m-£35m by 2016/2017.

### **2010/11 Closedown Review**

The Corporate Committee received the Appointed Auditor's statutory report to "those charged with governance", (the ISA260 report) setting out those matters arising from his audit that he wished to draw to the attention of Members on 28 September 2011. The 2010/11 audit was successful, with the accounts receiving an unqualified opinion within statutory timescales. This was a notable achievement, given that local government had to face the challenges associated with preparing accounts for the first time in accordance with International Financial Reporting Standards (IFRS). There are no material issues outstanding from the 2010/11 audit.

### **2011/12 Audit Plan**

Deloitte LLP, the Council's External Auditor appointed by the Audit Commission, presented its Audit Plan for the audit of the 2011/12 accounts to the Corporate Committee on 11 January 2012. The main focus points for the audit were identified as follows:-

- Revaluation of properties.
- Valuation of the gross pension liability.
- Recognition of grant income.
- Section 20 debt provision.
- Management override of key controls.

The Council has reviewed the controls it has in place to mitigate these risks during the year to ensure the treatment of the foregoing items meets quality standards.

### **Disclosures in the Statements**

#### **Group Accounts**

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

#### **Contingent Assets and Liabilities**

A review for 2011/12 was carried out to establish if the Council had any contingent assets, none were found and so there are no disclosures. However, there are contingent liabilities disclosed in the accounts in relation to claims being made in respect of various legal disputes.

## **2011/12 Outturn**

### **Revenue**

The following table sets out some of the Council's income streams during the year which were as expected.

Table 1

<b>Income Stream</b>	<b>2011/12 Budget</b>	<b>2011/12 Actual</b>
	<b>£m</b>	<b>£m</b>
Formula Grant (including National Non-Domestic Rates and Revenue Support Grant)	220	220
Dedicated Schools Grant	210	210
Rents (housing)	118	119
Council Tax demand	99	99
Early Intervention Grant	20	20
Learning Disabilities Grant	8	8
Local Services Support Grant	3	3
Council Tax Freeze Grant	2	2
New Home Bonus	N/A	2
Interest and Investment income	1	3

As the accounts follow the prescribed CIPFA format the Comprehensive Income and Expenditure Statement cannot easily be related to the Council's operational management structure. Reconciliations of the two positions are provided in notes to the main statements (note 4 to the CIES – Segment Reporting – on page (58)). A brief summary of the outturn at departmental level is set out in the table below:

Table 2

<b>Directorate</b>	<b>Final Cash Limits<sup>1</sup></b>	<b>Outturn adjusted</b>	<b>(Under)/ Overspend</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adult & Community Services	157,182	157,043	(139)
Children & Young People's Services <sup>4</sup>	129,016	130,272	1,256
Office of the Chief Executive	409	1	(408)
Finance & Resources	3,610	4,984	1,374
Housing Regeneration & Environment	63,186	63,417	231
Corporate Items <sup>2</sup>	(34,103)	(34,503)	(400)
<b>Total General Fund<sup>3</sup></b>	<b>319,300</b>	<b>321,215</b>	<b>1,915</b>
<b>Housing (HRA)</b>	<b>0</b>	<b>(3,533)</b>	<b>(3,533)</b>

<sup>1</sup> - Revised budgets include adjustments for central support recharges, capital charges and decisions regarding requests for budget carried forward and provisions.

<sup>2</sup> - Entries that fall below the Cost of Services line in the Comprehensive Income and Expenditure Statement. As these items fall outside the responsibility of service departments the budgets are held corporately. Examples include interest payable and receivable; IAS19 entries that are not charged to services such as pension interest costs; Minimum Revenue Provision; and amortisation of premiums/discounts. Appropriations to earmarked reserves are included in this total.

<sup>3</sup> - The outturn position shown above is that to which departments were held account. Any subsequent adjustments required as part of the audit of the Statements of Account are not reflected in these figures

<sup>4</sup> - The CYPS figures include those for No Recourse to Public Funds



The total overspend on General Fund services was £1.9m. The Housing Revenue Account underspent its budget by £3.5m.

The main variances from the budget are summarised below.

**Adult and Community Services** – Increased income from leisure centres, together with the renegotiation of care contracts and the receipt of grant funding late in the financial year, resulted in the department delivering a small underspend.

**Children and Young People's Services** – Despite reducing the cost of placements through contract renegotiation, the number of clients accessing placement provision continues to increase, contributing to the department's overspend

**Office of the Chief Executive** – The department delivered within its resources with small underspends in a number of areas. The department provides support services only and its outturn was therefore recharged to service departments.

**Finance and Resources** – The department overspent its budget as a result of having to make additional provision for bad debt.

**Housing Regeneration & Environment** – An underspend in the Housing division, mainly due to underspent grants, was offset by a contribution to capital works on roads which was not budgeted for. Pressure on Parking income continues to be managed through restrictions on expenditure across all areas of Public Realm.

**Housing Revenue Account** – The HRA surplus, which includes a £2m budgeted contribution to reserves, is primarily due to additional income received as a result of continued improvement in the void rate and savings on interest charges and support service recharges.

### **Savings**

The 2011/12 savings target based on the Government's Spending Review was set at £41m, of which Lambeth delivered on £39.4m. The gap of £1.6m resulted primarily from delays with restructures. It is expected that these savings will be delivered in 2012/13. The proposed savings for 2012/13 is £29.2m. At times of such austerity there remains a real risk that a shortfall may occur in meeting the target whilst striving to maintain a healthy General Fund balance.

### **Capital**

In February 2011 Council approved a four-year capital programme of £285.6m, covering 2010/11 to 2013/14. This reflected the resources that were known to be available at the time. Subsequent additional information led to amendments to the programme to reflect the results of the 2010/11 outturn and new funding. These amendments increased the rolling four-year programme to £336.5m per the November Finance Review of which £165.6m was to be delivered in 2011/12. The equivalent figures as at March 2012 were a four-year programme (2011/12 to 2014/15) of £336.5m of which £142.4m was to be delivered in 2011/12.

### **2011/12 Programme**

The final outturn for 2011/12 was £113.28m against a final adjusted budget of £142.39m (79.6% of budget). The final outturn excludes disallowed capital expenditure and expenditure on PFI assets recognised in 2011/12.

The position (excluding investment in PFI assets) for the year is set out overleaf:

Table 3

Directorate	Budgets	Outturn	(Under) / Overspend	Percentage (Under)overspend
	£000	£000	£000	%
Adult and Community Services (ACS)	6,693	3,283	(3,410)	(51)
Children & Young People's Services (CYPS)	33,364	29,084	(4,280)	(13)
Building Schools for the Future (BSF)	22,954	21,899	(1,055)	(5)
Finance and Resources (F&R)	2,125	1,894	(231)	(11)
Housing Regeneration & Environment (HRE)	23,238	15,491	(7,747)	(33)
Housing Revenue Account (HRA)	54,015	41,631	(12,384)	(23)
<b>Departmental Total</b>	<b>142,389</b>	<b>113,282</b>	<b>(29,107)</b>	<b>(20)</b>

The variances reported in CYPS and HRA follow adjustments to reflect £7.4m associated with schemes accelerated from future year's plans. Proactive management within the departments identified opportunities to deliver schemes at a greater pace which were scheduled for 2012/13.

Additionally delays across a number of projects resulted from consultation and engagement activity to improve clarity on residents' requirements. Changes in project scope coupled with procurement and planning delays contributed to the remainder of the underspend.

As at 31 March 2012 internal sources of funding available to meet capital expenditure and other financial commitments including PFI schemes totaled £34.2m of useable capital receipts.

External sources totaled £41.8m of unapplied capital grants including S106 developer's contributions and £4.4m from the major repairs reserve.

#### Capital Spending Plans

During 2011/12 the new governance arrangements adopted by the Service and Financial Planning Process were fully embedded. This has allowed the Council to target investment in its priority areas. In 2011/12 the Council invested £42m in Housing (of which £30m related to dwellings), £8m in Regeneration and Parks, £51m in primary and secondary schools (of which £19m is work-in-progress) and £7m in Highways.

External factors mean that the Council has had to look at more innovative ways of delivering and funding the capital investment strategy.

For example the Localism Act has now ratified the implementation of the HRA self financing regime from April 2012. This has required a change to the Council's capital financing strategy which will utilise balances accumulated internally to finance HRA capital investment alongside capital receipts and revenue contributions. This is an unprecedented opportunity to invest significant sums in meeting the borough's housing needs. The adoption of the Housing Standard and recommendations from the Housing Commission have resulted in a borough-wide Decent Homes standard which will underpin this capital investment in the Council's housing stock whilst ensuring the areas that are most important to residents are targeted.

In February 2011 Cabinet set a disposal target of £100m to be generated between 2011/12 – 2013/14 (excluding voids). The Council also, as part of the Service and Financial Planning Process, instigated a series of 'Asset Class Reviews' which would give strategic certainty to assets required for service provision, and equally recognise those assets which could be declared surplus to requirements and identified for disposal. The Libraries Commission, Community Hubs Strategy and emerging Sheltered Housing Strategy are examples of these asset reviews.

As at 31 March 2012 the Council had generated £25.6m from the £75m of potential disposals so far identified. It is projected that a further £42.2m from the potential disposals will be generated during 2012/13, with significant progress already being made towards achieving this target.

These disposals will further support the Council's investment strategy, supplementing investment in maintaining the Borough's roads and pavements and expanding the capacity of Primary Schools in Lambeth.

## **In Summary**

The ratio of current assets to current liabilities is 1.4:1 compared with last year's ratio of 1.3:1. Long-term borrowing stands at £435.2m whilst last year's figure was £600.4m. The reduction of £165.2m is due to a loan settlement payment received from the Government which was used for the repayment of long-term PWLB borrowing. This settlement was received as part of the move to Housing Revenue Account (HRA) Self Financing which is designed to encourage local authorities to manage their housing more effectively.

The assessed deficit on the Pension Fund increased by 16% from £480m to £557m in 2011/12. The increase was due to poor asset returns and a fall in the discount rate.

Pension fund net assets increased by £60m during the year compared with an increase of £13m last year; this was underpinned by the effect of the Pension Fund's New Investment strategy introduced in 2010/11.

The surplus on the Collection Fund was £13.4m, of which £10.0m was the Council's share, with the remainder of £3.4 due to the Greater London Authority (GLA). The equivalent amounts for 2010/11 were £7.4m and £5.5m. The amount of the prior year surplus distributed during the year was £2.8m, with £2.1m being transferred to the General Fund and £0.7m to the GLA.

After what was another tough year for the Council in 2011/12 the General Fund balance stands at £25.2m, a decrease on last year's balance of £28.9m, but within the recommended range of 5% to 10% of the General Fund net revenue budget. The Council is determined to confront the financial challenges presented by the wider economic difficulties and stringent resource constraints by utilising focused active risk management and by embracing all opportunities available to deliver more effective and efficient services for our community.

**Mike Suarez**  
**Executive Director of Finance and Resources**

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to:

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

### The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (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 2012.

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 2012.



**Mike Suarez**

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

**Dated 27 September 2012**



**Cllr David Malley**

Chair – Corporate Committee

**Dated 27 September 2012**

As the person presiding I hereby certify that this statement of accounts was reviewed by the Corporate Committee at its meeting of 26 June 2012. Subsequent changes were approved at the meeting of the Corporate Committee on 27 September 2012,

## **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 2012 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, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance and Collection Fund and the related notes numbered 1 to 63. 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 2011/12.

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. 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 2012 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 2011/12.

### **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 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes numbered 64 to 91. 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 2011/12.

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 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012, 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 2011, 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 2012.

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 2011, 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 2012.

### **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

St Albans, United Kingdom

28 September 2012

## ANNUAL GOVERNANCE STATEMENT

### 1. Scope of responsibility

- 1.1 Lambeth Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lambeth Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Lambeth Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Lambeth Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on our website at Lambeth's Local Code of Corporate Governance. This statement explains how the Council has complied with the Code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

### 2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure but can help to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Lambeth Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact, should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Lambeth Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.

### 3. The governance framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements have been summarised below.
- 3.2 The Corporate Plan sets out Cabinet's aspirations for the next three years to become a Cooperative Council through the delivery of three key priorities (a caring borough, an aspirational borough and a safe and secure borough). It describes the eight outcomes we will deliver as an organisation to meet these aspirations and how we will transform our ways of working to improve services and meet the financial challenges facing local authorities by becoming a Cooperative Council and increasing our preventative and targeted services.
- 3.3 In order to support the promotion of the Corporate Plan, the focus has been on communicating the development of the Cooperative Council. This has involved a wide range of poster campaigns, intranet stories, Chief Executive walkabouts and direct communications to specific groups of staff. The actual Corporate Plan has been promoted across all channels as well. Externally, the council has promoted the key corporate priorities through a range of specific campaigns about safety, environment and Cooperative Council. In addition, the council tax booklet contained information about performance achievements in order to illustrate where public money was being spent, and the impact it has had.



- 3.4 The Corporate Plan was totally reframed in 2011/12 to better reflect the organisation's cooperative aspirations. The current corporate outcomes framework was agreed in 2011 by Cabinet and underpins the 2011-14 Cooperative Council Corporate Plan.
- 3.5 The Council has an effective service and financial planning process which works off the Corporate Plan, enabling departments to develop 'prioritised' objectives across all council services. Service plans are approved within the schemes of delegation with all service plans containing sections for
- The golden thread ie the direct link between team objectives and the Council's overall vision
  - The departmental outcomes;
  - The divisional outcomes;
  - Service objectives;
  - Risk management;
  - Performance framework;
  - Equalities impact assessments
- 3.6 The Council has monitored whether the quality of service for users in accordance with its objectives through regular reporting from departments, provided by support services, to elected Members and senior management. These reports have included information on risk, audit, performance, finance, benchmarking and more.
- 3.7 The Council's constitution describes the roles and responsibilities of the executive, non-executive, scrutiny and other functions. The Constitution is kept under regular review to include new statutory requirements and governance arrangements. Updates in 2011/12 covered new governance arrangements for capital expenditure and asset management, pensions, budget delegations and cycle, and other detailed changes.
- 3.8 Cabinet and Strategic Leadership Board (SLB) provide leadership in the overall co-ordination of Council policies, strategies and service delivery. This is supported by Departmental Leadership Teams (DLT) and Divisional Management Teams (DMT) who exercise local control within their schemes of delegation.
- 3.9 The Overview and Scrutiny Committee, its five sub-committees and ad-hoc scrutiny commissions enable non-executive councillors to hold local decision-makers to account, contribute to service improvement and facilitate an accountability relationship between citizens and the council.
- 3.10 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 are reviewed regularly. An anti-bribery policy and procedure was introduced in 2011/12, with links created to the Code of Conduct, and was communicated to all staff and contractors. From 2011/12, all staff were asked to complete annual declarations in respect of the Code of Conduct and declarations of interest.
- 3.11 Risk based decisions are made on a regular basis and take into account changes in the Constitution, standing orders, financial and contract standing orders, financial regulations, code of conduct, anti-fraud and corruption strategy and whistle blowing arrangements. The Council's Risk Management Strategy, which highlights the reporting framework for risks, was refreshed and approved in September 2011 to take into account the Cooperative Council vision.
- 3.12 The officer delegation scheme ensures that routine decisions are made at the right level, with a scheme of delegation in place that sets out the powers delegated to officers, and the Financial Regulations and various Procedure Rules which all form part of the Constitution. Work has commenced to align the Constitution with the Council's Cooperative Council principles with a view to adopting a revised version in May 2013.
- 3.13 The Council ensures that financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010). This role is performed by the Executive Director for Finance and Resources, who is an equal member of the Senior Leadership Board and reports directly to the Chief Executive. Management of the Council's resources is formally governed by the Scheme of Delegation, set within the Constitution.

- 3.14 Corporate Committee performs the 'audit committee' role through its oversight and monitoring of the Council's governance activities including internal audit, counter fraud, external audit, financial performance and reporting, and risk management. In addition, the Council has a Finance Strategy Board which acts as a clearing house for risk and audit findings. The Board comprises senior officers from across Council departments.
- 3.15 Compliance with relevant policies, procedures, laws and regulations has involved a range of measures by the Council which include:
- Notification of changes in the law, regulations and practice to Departments;
  - Awareness, understanding and training carried out by internal officers and external specialists;
  - The drawing up and circulation of guidance and advice on key procedures, policies and practices;
  - Formal legal and financial clearance of all decision-making reports;
  - Proactive monitoring of compliance by relevant key officers including the Section 151 Officer (Executive Director of Finance & Resources) and the Monitoring Officer (Director of Governance and Democracy)
- 3.16 Under section 114 of the Local Government Finance Act 1988, the Section 151 Officer also has a legal responsibility to issue formal reports if he has particular concerns about the financial arrangements or situation of the Council. No such formal reports have been issued during the 2011/12 financial year.
- 3.17 The 2011/14 Cooperative Council corporate plan builds on and replaces the 2010/13 Single Equality Scheme, demonstrating that equalities work is not an add-on, but an integrated part of how we deliver services and meet the needs of our residents.
- 3.18 The Council has established whistle blowing procedures with allegations investigated independently by Internal Audit and reported regularly to the Standards and Corporate Committees. The Committees ensure that the corrective action taken is robust.
- 3.19 A three-stage complaints process exists for handling complaints, which 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.
- 3.20 The Council's elected members are well supported to develop their skills and deliver their role effectively. Members of key committees, such as the Overview and Scrutiny Committee and its sub-committees, have received specialised training in order to equip them with the skills to carry out their duties. Members on the Corporate Committee have received briefings to enable them to provide effective challenge to those reporting to them on a range of areas, including risk management, financial reporting, internal audit and counter fraud
- 3.21 The development needs of all staff, including Executive Directors, Directors and Heads of Service are identified through the staff performance review process. Knowledge of financial management and the economic environment are actively promoted through a finance training curriculum and risk management champions. Councillors are offered the CIPFA Guide to Local Government Finance which is published on the Finance and Resources intranet and can access a programme of internal and external training and development opportunities including e-learning through Modern Councillor. Officers are provided with 'working in a political environment' training to increase awareness and to further embed understanding of the decision making process.
- 3.22 The Council uses a number of channels to both consult and communicate with stakeholders, including the community. Regular communication channels include quarterly local newspapers, monthly newsletters to stakeholders, borough posters, the intranet, direct mail and advertising to support departmental awareness drives and other specific campaigns. The Council's website is continually expanding both in content and functionality and social media is now actively used to inform residents of council activities.
- 3.23 Papers and minutes of all Council and Committee meetings are publically available through the Council's internet site along with a public database of all proposed officer delegated decisions involving expenditure over £100k.

- 3.24 During 2011/12 the Council established a core offer of communications which included quarterly magazines and area newsletters, A-Z of services, 12 service booklets and regular mailings in support of Freshview. Freshview is a Council initiative to make the borough cleaner, safer and greener by improving the quality of the environment.
- 3.25 The Sustainable Community Strategy 2008-2020 sets out the vision for Lambeth that the Council shares with its borough partners with a focus on worklessness. The statutory requirement for Local Strategic Partnerships (LSPs) was withdrawn in 2011; however the Council recognises the vital importance of partnership working. Therefore, in 2011, partners agreed that despite the lack of legislative requirement they would continue to have an LSP. Each of the groups and theme partnerships under the LSP, Lambeth First, has a formally documented governance framework. Terms of reference outline the purpose and decision making power of the partnership and theme partnerships.
- 3.26 The Council has also established two arms length organisations (Lambeth Living and United Residents Housing), wholly owned subsidiaries limited by guarantee, to manage its housing stock and deliver some of its housing responsibilities. Both organisations have adopted a formal governance structure and along with reporting to their own committees and boards also report to Lambeth's Corporate Committee.

#### **4. Review of effectiveness**

- 4.1 Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditor and other review agencies and inspectorates.
- 4.2 The Council regularly reviews and matches its governance structures and processes to council-wide priorities, to ensure the principles of good governance are applied throughout the council. This includes regular Constitutional working group meetings with the Chief Whip, other councillors and officers from within Governance and Democracy. These meetings give confidence to the council that the Constitution remains robust, up to date, and compliant with all relevant statutory instruments.
- 4.3 The Constitution Working Group began in 2011/12 to assess the Council's constitution in light of its cooperative ambitions and this work will continue through 2012/13 and conclude in 2013 to reflect both the implications of the Localism Act (2010) and the structures and governance we will require to become a truly Cooperative Council.
- 4.4 Annual reports are produced for full council on activities of Corporate Committee and Overview and Scrutiny. The Chairs of scrutiny committees meet to discuss the function's effectiveness and in 2011/12 this resulted in the development of changes to the structure and membership of Overview and Scrutiny Committee from 2012/13.
- 4.5 The Council's Monitoring Officer keeps members and officers informed of developments in ethical matters and relevant information. The minutes and agendas of the Standards Committee show how ethical standards are considered. The Standards Committee reviews and oversees councillor training and the Council's Whistle Blowing Policy and is also responsible for the local assessment and determination of complaints about Member conduct. The Committee submits an annual report to full Council on member conduct and complaints made against members.
- 4.6 The Council has continued to offer ethics training to members and to maintain registers of gifts and hospitality, which are regularly reviewed by the Council's Monitoring Officer and the Chief Internal Auditor.
- 4.7 Regular reports on finance, performance and other resource areas are reported to members, scrutiny committees and senior management on a quarterly or monthly basis. The council's strategic approach to data quality is set out in the Performance and Quality Management Framework (PQMF). Corporate performance is reported to Scrutiny Committees as requested.

- 4.8 A 'Value for Money' assessment was carried out in 2011/12 and reported within the auditor's report within this statement of accounts, assessing the Council's systems and processes for securing financial resilience and for challenging the economy, efficiency, effectiveness of the use of Council resources.
- 4.9 In response to the financial restrictions imposed by Government the council identified £37m of new savings and £4m of brought forward savings, making a total savings target of £41m in 2011/12 as part of an overall 4-year savings programme of £94.5m. Each department has identified either saving proposals or opportunities for increasing income. To ensure that the agreed savings target is duly monitored a delivery tracker was introduced to keep senior management and Members informed of the overall progress of implementation. By the end of 2011/12 the Council had achieved 96% of the overall savings target, and where adverse impacts had been identified they were mitigated as far as possible throughout the year.
- 4.10 A Procurement LEAN review took place in 2011/12 with many of its recommendations taken forward into the Council's Transformation and Efficiency programme of Bureaucracy Busting. This programme will commence in 2012/13 and will change the way the procurement service operates in order to support the delivery of the Cooperative Council.
- 4.11 The Council's Risk Management Strategy was refreshed during 2011/12 to take into account the Council's aspiration to become a Cooperative Council. The Corporate Risk Register, supported by the Strategic and Operational Risk Registers, is reviewed regularly by Corporate Committee and senior management.
- 4.12 Additional meetings were held with Corporate Committee and senior management to discuss the events identified on their risk registers and to challenge departments on their risk management arrangements.
- 4.13 The Council's resilience is managed in accordance with the requirements of the Civil Contingencies Act 2004 and the measures laid down in British Standard 25999 on Business Continuity. During 2011/12 the Council has undertaken several reviews to prepare for the potential effects of major events during 2012.
- 4.14 Data security continues to be strengthened. Robust arrangements were recognised in 2011/12 through the Government Connect accreditation. The Information Governance Working Group (IGWG) provides valuable support to the Council's Senior Information Risk Owner (SIRO) and has an annual rolling work programme managed by the Information Governance Manager.
- 4.15 The profile of complaints remains high across the council with the Corporate Complaints Digest, a summary of complaints received by departments, highlighting trends and lessons learnt. The Digest is considered by the Strategic Leadership Board on a quarterly basis and by Corporate Committee every 6 months.
- 4.16 The completed annual assurance statements for 2011/12 have indicated that there are no specific areas where controls are not adequate. However, departments have highlighted that the significant savings which are required as a result of reductions in central government funding could potentially have a significant impact on the effectiveness of control and governance frameworks going forward. This may lead to control issues/ additional risks when co-producing services with third party organisations, including the effectiveness of the legal and financial framework that will need to be in place to mitigate this risk.
- 4.17 Internal audit, which operates under regulation 6 of the Accounts and Audit Regulations 2011 and in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, provides independent assurance on the Councils governance arrangements. The Chief Internal Auditor reports regularly to the Section 151 officer, the Chief Executive and Corporate Committee.
- 4.18 The plan of work undertaken by Internal Audit is prepared with regard to the risks faced by the Council and following discussions with Executive Directors and Heads of Service. It is presented to and approved by the Corporate Committee with the scope of work ranging from financial governance, corporate governance, risk management, probity, value for money, effectiveness, and compliance with laws and standards, amongst others.

- 4.19 The annual opinion of the Head of Internal Audit is that, in general, the systems of Internal Control continue to be adequate for preventing significant risks of a strategic or operational nature materialising.
- 4.20 External Audit has continued to rely on the work of Internal Audit where appropriate.
- 4.21 During 2011/12 the Council's performance in delivering our corporate outcomes has been stable and has broadly maintained the same level of performance as 2010/11. Our capacity to improve performance has been reduced due to the impact of reductions in funding, the restructuring of services to deliver savings and changes in the need and demand for services caused by the wider economic and political context. Notable successes for 2011/12 included:
- An increase in the number of pupils achieving 5 or more A\*-C grades at the end of Key stage 4 from 53% to 61%;
  - Progress towards target to deliver a 2% reduction in the number of violent crime offences compared to 2010/11;
  - The percentage of 16 – 19 year olds who are not in employment, education or training (NEET) in quarter three was 3.73% and is the lowest across 8 central London boroughs (Hackney, Wandsworth, Westminster, Southwark, Islington, Camden, Kensington and Chelsea);
  - Continued reduction in the number of households in temporary accommodation (TA) throughout the year, reducing the number of households in TA to 6%, despite a 7% increase in demand for the service.
  - Increase in council tax collection by 1%;
  - Increased take up from Direct Debit payers and reduction in recovery action;
  - Joint working arrangements on parking services with the London Borough of Croydon enabling cost reductions and efficiencies;
  - Call centre improvements determined by success in calls being answered compared to previous levels;
  - The Council set a general fund savings target for 2011/12 of £41.0m, of which £3.8m relates to savings agreed prior to the budget set in February 2011. The final outturn shows total savings of £39.4m, which is 96% of the target, or a shortfall of £1.6m. This does not match the General Fund outturn as reported in the Explanatory Foreword of the Statement of Accounts, because in addition to this savings shortfall there were underspends and overspends in areas where savings had not been agreed.
- 4.22 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## **5. Significant governance and control issues**

- 5.1 The 2010/11 evaluation of assurances identified three key issues in respect of governance and control and the 2010/11 AGS set out the actions to be taken in respect of those key issues. The table below contains the issues, actions identified and progress made on those actions during 2011/12:

Significant governance and control issues	Action(s) to be taken	Timeframe	Progress made in 2011/12
<p><u>Risk Management: 2011/12 Savings Requirements</u></p> <p>As part of the 2011/12 Service and Financial Planning Process undertaken during 2010/11 savings of £37m were identified for the General Fund and approved by full Council on 23/02/11. This is an unprecedented requirement and inevitably presents risks in terms of failure to deliver the quantum of savings or to provide the affected services with reduced resources.</p> <p>It is recognised that the delivery of savings could potentially have a significant impact on the effectiveness of control and governance frameworks, including:</p> <ul style="list-style-type: none"> <li>• the capacity to comply and report</li> <li>• restructuring leading to significant loss of knowledge and expertise</li> <li>• reductions in back office and management areas impacting on segregation of duties</li> </ul>	<p>Finance &amp; Scrutiny Sub-Committee requested a tracker be developed which would provide information on the achievability of savings and any unforeseen detrimental effect on service delivery. This will be incorporated in the 2011/12 Finance Monitor.</p> <p>Regular reporting will be provided to Cabinet, SLB, FSB and DLTs to ensure that the required savings are being delivered.</p> <p>The Internal Audit Plan for 2011/12 will include work to provide assurance that savings are being delivered and that the impact on services is being managed and monitored.</p> <p>Each department is being asked to report on their risk management arrangements, including managing risks relating to savings, to challenge sessions to be held by the Corporate (Audit) Committee.</p>	<p>Strategic Leadership Board <i>Throughout 2011/12</i></p> <p>Divisional Directors of Resources <i>Ongoing</i></p>	<p>The savings tracker was developed and incorporated into the regular reporting cycle, to Departmental Leadership teams (DLT), Finance Strategy board (FSB), Strategic leadership board (SLB), Cabinet and Scrutiny committees. The progress was also tracked through the monthly budget monitors with business unit accountants.</p> <p>Risk registers were reviewed monthly by divisional directors and management teams at least quarterly at DLT. Risks were also reported at FSB, SLB and Corporate Committee. All departments were scrutinised in their risk management arrangements and the risks identified on their risk registers at the corporate committee challenge sessions held in June 2011 and July 2011.</p> <p>Following the challenge sessions the new risks around Welfare reforms and Cooperative Council were reviewed in their entirety. It was agreed that due to the complex depth of these areas that each department will identify the related risks which will then be grouped to indicate the risk level of both the Welfare reforms and the Cooperative Council.</p> <p>In addition to the £37m savings agreed in 2011/12, a further £4m had been agreed in previous years, giving an overall total for the year of £41m. As a result of a Council-wide focus on delivery of these savings, £39.4m had been realised by the end of the financial year. The relatively small shortfall of £1.6m was offset by management action to reduce spending in other areas, with the result that General Fund services were delivered within the overall budget. The Housing Revenue Account also delivered a surplus and was able to contribute to balances.</p>

<p><u>Debt Management</u></p> <p>Level of consolidated debt relating to income collection stood at £85.7m as at the February 2012 Finance Monitor, with 54% (£46.1m) being debt which had been outstanding for over a year. The debt is split between FSS control (£40.9m) and Non-FSS control (£44.8m). The debt over a year old is similarly analysed between FSS (£20.8m) and Non-FSS (£25.2m).</p> <p>Internal Audit also found that there had been delays in recovery action taken in relation to Council Tax arrears.</p> <p>Work undertaken by Internal Audit through a number of planned reviews has identified issues with regard to debt management, including instances where prompt action has not been taken to recover monies owed to the Council. This included Leaseholder debts where it was found that action was not being taken to attempt to collect debt which was approaching the six year limit (statute barred).</p> <p>Internal Audit also found that there had been delays in recovery action taken in relation to Former Tenant Arrears for housing rents</p>	<p>In September 2010, Finance Strategy Board approved the Corporate Income and Debt Strategy. The aim of the strategy is to enhance the council's performance in income collection and debt management. The effectiveness of the strategy will be monitored regularly by FSB and annually by SLB.</p> <p>Progress on debt recovery will continue to be monitored via the Finance Monitor which is considered on a regular basis by Finance Strategy Board (FSB) and Strategic Leadership Board (SLB).</p> <p>A series of actions have been agreed with council officers and Lambeth Living as a result of recommendations made by Internal Audit. Progress against these will be monitored on the Audit Tracker.</p> <p>Progress on actions agreed with Lambeth Living will be monitored and reviewed as part of the ongoing clienting activity undertaken by HRE.</p>	<p>RBCS <i>Ongoing</i></p> <p>FSB/SLB <i>Ongoing</i></p> <p>HRE <i>Ongoing</i></p>	<p>Lambeth Council formally agreed the inaugural Corporate Debt and Income Management Policy at Cabinet in April 2011. The policy is monitored by Finance Scrutiny Sub Committee throughout the year to ensure that the council is meeting its obligations.</p> <p>Recommendations from Internal audit have continued to be monitored on the Audit Tracker.</p> <p>Council Tax arrears recovery is an outsourced service and contractual penalties are applied for underperformance. This is monitored by the Client Team, who also continuously review the process to ensure exceptions are dealt with promptly and where possible avoided altogether.</p> <p>Debt management and continuous improvements in income collection and recovery were included in the key performance indicators and reported as part of the regular reporting. This was also discussed at clienting meetings between the Council and Lambeth Living. The same arrangement was in place with United Residents Housing.</p> <p>Rents arrears are lower by £2m compared to end of March 2011, and former tenants' arrears have reduced by £350k. A separate arrangement was in place for Leaseholder debts. A new process was established to offer payment arrangements followed by voluntary and court orders to secure debt against leased property.</p> <p><b>Parking Debt</b> The parking debt was managed robustly through the existing back office teams who guide the penalty charge notices through the PCN cycle, meeting legislative</p>
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			<p>requirements.</p> <ul style="list-style-type: none"> <li>• Recovery rates increased across the board</li> <li>• Backlog of appeals eradicated</li> <li>• Appeal stats improved significantly</li> <li>• Refunds reduced from 1,000 in 2009 to 250 in 2011</li> </ul>
<p><u>Clienting/monitoring of third party organisations</u></p> <p>Health check audits carried out in 2010/11 and early 2011/12 have shown control weaknesses at the majority of Tenant Management Organisations (TMOs) and significant control weaknesses in a minority, with no improvement being made from the previous round of audit reviews carried out several years earlier. This had been exacerbated by poor oversight in the clienting of the TMOs by the ALMOs and HRE.</p>	<p>The Chief Executive has requested Internal Audit to undertake a review of clienting and monitoring as a result of the issues identified during reviews and investigations during 2010/11.</p> <p>Actions agreed with council officers and Lambeth Living/United Residents Housing as a result of recommendations made by Internal Audit will be monitored on the Audit Tracker and reviewed as part of the ongoing clienting activity undertaken by HRE.</p> <p>Regular reporting on progress will be made to FSB, SLB and Corporate Committee.</p>	<p>Internal Audit Q1 2011/12</p> <p>ED HRE <i>Ongoing</i></p> <p><i>HRE Ongoing</i></p>	<p>The HRE Housing Client team was strengthened in particular with dedicated TMO support officers and additional performance measures established as part of the regular monitoring and reporting framework.</p> <p>All recommendations from the audit reviews of the 14 TMOs have been implemented or scheduled to be implemented by March 2012. 4 TMOs had low assurance and were re-audited within a year to assess progress. This showed that assurance levels are moving in a positive direction</p> <p>Further follow ups had been originally planned at URH and their TMOs during June/July 2012. However, as a result of concerns raised with HRE and Internal Audit regarding URH and LEMB, investigations were undertaken into a number of issues concerning both organisations. As a consequence, officers in HRE are engaged in ongoing action and have requested a further detailed internal audit review to be undertaken, which is currently being scoped. The outcome of this work will be reported to senior management and Members in due course. In addition, a further follow up at Angell Town TMO has also been requested by HRE and is due to be undertaken in September 2012.</p>
<p>A further special investigation into the use of council assets leased to a charitable company identified a number of significant issues, including the body not meeting the requirements of its</p>	<p>The Chief Executive has requested an Executive Director to review the council's strategic approach to clienting and to propose a "best fit"</p>	<p>FSB/SLB <i>Ongoing</i></p>	



incorporation status on an ongoing basis, around £100k being potentially due to the council (in rent, building insurance premiums and business rates) and the need to for action to strengthen the council's oversight and clienting role in dealing with third sector organisations. (all departments)	clienting model for the council.		
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5.2 The 2011/12 evaluation of the assurances surrounding the governance framework has disclosed the following significant issues which the Council will address:


<b>Significant governance and control issues</b>	<b>Action(s) to be taken</b>	<b>Ownership/ Timeframe</b>
<p><u>Framework for programme and project governance</u></p> <p>Two reviews were undertaken by IA/KPMG in 2010 and 2011 to review the procurement and project management arrangements in respect of the Roupell Park Combined Heat and Power project. Both reviews concluded that there was limited project management information to demonstrate the adequacy of the project and budget monitoring arrangements for the early phases of the project. Information provided in respect of Phase Four was more detailed and identified issues of concern with regards to the design and implementation of the scope of works associated with the phase.</p>	<p>The Chief Executive asked that relevant elements of the framework for project and programme governance be considered for inclusion into the areas within the Co-operative Council. Discussions have been held with officers in PEP to establish how the project and programme management arrangements for the Transformation and Efficiency programme demonstrated the good practice identified in the framework. Internal Audit are involved in the Commissioning Council workshops which are ongoing to ensure that relevant aspects of the framework are embedded in the Commissioning Council arrangements which are currently being developed. The framework has also been considered by Procurement Board 1, and will be presented to the Capital Asset Management Group, along with the outcome of two project management reviews undertaken by PwC, to ensure that best practice has been adopted and is in place for capital projects and programmes</p>	<p>Internal Audit <i>December 2012</i></p>
<p><u>The Youth Offending Service – Core Case Inspection</u></p> <p>The YOS Partnership was subject to a Core Case Inspection (CCI) in November 2011 and the subsequent inspection report was published in March 2012. It is a requirement of the inspection that a YOS Improvement plan (YIMP) is collated to address the 7 recommendations made by HMI Probation who undertook the inspection.</p>	<p>This improvement plan, known as the YIMP, sets out how the YOS partnership will address the recommendations made by the inspectorate and was submitted in April 2012 following its presentation to Cabinet on the 16th April. The plan has been approved by HMI Probation and submitted by them to the Youth Justice Board (YJB) for monitoring.</p> <p>The actions taken to date are summarised as follows;</p> <ul style="list-style-type: none"> <li>i) a management review has been undertaken by external HR consultants this is now complete and will inform further action against staff</li> </ul>	<p>SLB received an update report in August 2012 noting progress in delivering the YIMP.</p> <p>The implementation of the plan is being overseen and monitored through the Safer Lambeth Partnership DLG chaired by the Executive Director of Adults' &amp; Community</p>

Significant governance and control issues	Action(s) to be taken	Ownership/ Timeframe
	<ul style="list-style-type: none"> <li>ii) A review of cases was undertaken to ensure that there were no safeguarding issues by a senior manager who is a qualified social worker. This is now complete and has informed the management action, the YIMP and the proposed restructure of the YOS Partnership.</li> <li>iii) a review of the quality assurance process was undertaken by social care and has informed the review of system and processes within the YOS and the proposed restructure of the YOS Partnership</li> <li>iv) a peer review was undertaken by head of a YOT that had a good outcome following its inspection the peer review will be presented to the YOS Management Board in July</li> <li>v) in addition the council has negotiated with the YJB for the London Regional Manager to be seconded to Lambeth to lead the transformation of the YOS and its partnership</li> <li>vi) management action has been taken to address a number of non- compliance issues amongst staff</li> <li>vii) A senior manager is providing additional operational management capacity within the YOS</li> <li>viii) Develop a custodial remand tracker sheet to monitor the use of custodial remands within the borough.</li> <li>ix) A review of the Vulnerability and Risk panel arrangements was undertaken by community safety and has informed the Vulnerability and Risk Management processes within the service.</li> <li>x) Develop and implement a process to track unexecuted Warrants within the YOS and share that information with the borough Intelligence Unit.</li> <li>xi) Began the process of reviewing a number of partnership agreements and Service Level Agreements, notably Schools, Social Care and the police.</li> <li>xii) We have developed a number of in house outcome matrixes designed to track the outcome of YOS interventions. These include Education, Risk Management and Compliance and Enforcement.</li> </ul>	<p>Services and monitored and challenged by the YOS Management and CYPs Departmental Leadership Team, (DLT) chaired by the Executive Director of Children and Young People's Service.</p> <p>The final report is expected in March or April 2013.</p>

- 5.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signature of Chief Executive 

Dated 27 September 2012

Signature of Leader of the Council 

Dated 27 September 2012

## STATEMENT OF ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (amended), which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Income and Expenditure

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 Council 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 Council.
- Revenue from the provision of services is recognised when the Council 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 Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Parking Income – Within the Comprehensive Income and Expenditure Statement and related notes parking income is shown net of current year cancellations of debt. Cancellations of debt relating to prior year are expensed against the bad debt provision.

### 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 investments that mature in no more than three months from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

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 Council's cash management.

### Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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 Council'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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the statutory and accounting based charges.

## Employee Benefits

### **Benefits Payable During Employment**

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

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

### **Post Employment Benefits**

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

- 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.

All three schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### ***The Local Government Pension Scheme***

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

- The liabilities of the London Borough of Lambeth (LBL) and the London Pension Fund Authority (LPFA) pension funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate of 4.6% (5.5% in 2010/11) 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 LBL and the LPFA pension funds attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value
- The change in the net pensions liability is analysed into seven components:
  - i. **current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - ii. **past service cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - iii. **interest cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - iv. **expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - v. **gains or losses on settlements and curtailments** – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- vi. **actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited or credited to the Pensions Reserve
- vii. **contributions paid to the pension fund** – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### ***Discretionary Benefits***

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Events after the Balance Sheet Date**

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **Financial Instruments**

#### ***Financial Liabilities***

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term remaining on the loan (maximum of 10 years on the Housing Revenue

Account) against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## **Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council has no available-for-sale assets.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **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 the 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 conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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 (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.



## **Business Improvement Districts**

A Business Improvement District (BID) scheme may exist within a designated area of the borough. The scheme is funded by a BID levy paid by non-domestic ratepayers. The council acts as agent under the scheme and the BID levy income is the BID body's revenue. The billing authority does not account for the income and expenditure in its Comprehensive Income and Expenditure Statement since it is collecting the BID levy income as an agent on behalf of the BID body.

## **Intangible Assets**

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

The Council has no internally generated assets.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. There were no inventories or long-term contracts as at 31 March 2011, and there are no inventories or long-term contracts as at 31 March 2012.

## **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.

## **The Council as Lessee**

### ***Finance Leases***

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or, if lower, the present value of the minimum lease payments). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease 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, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

### ***Operating Leases***

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense to 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 (e.g., there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### ***Finance Leases***

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. At the commencement of the lease, 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement)

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

## **Operating Leases**

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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g., there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## **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 are 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 multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **Property, Plant and Equipment**

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

### **Recognition**

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

### **Measurement**

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
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (that is, it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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.

Surplus assets are measured using the existing use of the asset when assessing its fair value (as interpreted by the Code). Where an asset is being held for disposal, or in the absence of any decision as to the future use of the asset, it is recommended that the asset's fair value be assessed on the basis of its last use in providing services.

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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset 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 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.

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

### **Depreciation**

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 (i.e., freehold land and certain Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer

- infrastructure – assets are depreciated on the basis of the of their asset type and corresponding life
- surplus assets – straight-line over its remaining life.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Components

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

The Code requires the adoption of componentisation to be applied with effect from 1 April 2010 and is applicable to:

- enhancement expenditure,
  - acquisition expenditure and
  - revaluations.
- For Other Land and Buildings, the Council has reviewed only those assets which have been acquired, enhanced or revalued and have a carrying amount of £500k or greater. However, where there is a group of similar components as part of a large-scale refurbishment programme that collectively breach the limit, these have also been considered for component depreciation. Assets with a lower carrying amount have not been subject to component depreciation as the impact is not material on the accounts.
  - For Dwellings, the Council has complied with the CLG Guidance for Valuers 2010 (issued in January 2011) on Stock Valuation for Resource Accounting. However, the Council has elected to include in its list a small number of component assets either because:
    - they are of significant value and are likely to have a material effect on depreciation or
    - they are required for asset management and planning purposes.

#### Useful Economic Lives

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 following applies:

Asset Category	Useful Economic Life
Council Dwellings	60 Years
Other Land & Buildings	40 Years
Vehicles & IT equipment	4 Years
Plant, furniture & equipment	10 Years
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

#### De Minimis Level

Expenditure below £10,000 is not capitalised and therefore is charged to the Comprehensive Income and Expenditure Statement.

## **Heritage Assets**

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture

The Authority's Heritage Assets are held in Parks as well as public spaces. The parks hold the authority's war memorials and certain historic buildings. Both Windrush Square and White Hart Dock are the locations for artwork as part of a wider regeneration programme

The collections of heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Authorities history and local area.

Heritage assets are recognised and measured in accordance with the Authority's accounting policies on property, plant and equipment. However, where cost or value information is not available and the cost of obtaining the information outweighs the benefit to the users of the financial statements, the Code does not require the information to be shown on the balance sheet. The Authority's collections of heritage assets are accounted for as follows;

- **Historic Buildings**

Brixton Windmill is a 19<sup>th</sup> century windmill built by John Muggeridge and Sons and run by generations of the Ashby family until 1934. Since 2008 the Council and its partners has invested funds to restore the windmill to its original condition. In the absence of any sort of market for buildings of this type it is the opinion of the council that historic cost is the most appropriate valuation.

- **Art Collection**

The art collection includes a granite sculpture and permanent oak sculptures which are reported in the balance sheet at cost. Both pieces of artwork were part of an ongoing programme of regeneration and improvements across the borough. As such reliable cost information is available. It is the opinion of the Council that this cost information is a reliable indication of the assets' true value. The council has therefore opted to carry the assets at historical cost. The assets within the art collection are deemed to have indeterminable lives. Hence the Authority does not consider it appropriate to charge depreciation.

- **Memorials**

The collections of memorials include sculptures and statues and are located in several Lambeth Parks. The authority does not consider that reliable cost or valuation information can be obtained for the items held in its memorial collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently the Authority does not recognise these assets on the balance sheet.

## **Heritage Assets - General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

## **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Where assets meet the criteria to be classified as held for sale they shall be treated as either non-current assets or current assets dependent on meeting the respective definitions.

A non-current asset held for sale is measured at the lower of its carrying amount and its fair value less costs to sell. Where material, costs to sell are measured at their present value; in other words, they are discounted. Where the sale is expected beyond one year, the discount is unwound. This means that the carrying amount of the asset will be reduced, and a financing cost recognised in the Comprehensive Income and Expenditure Statement where the amounts are material.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Where an asset that does not meet the criteria to be classified as either held for sale or as an investment property under the Code but is surplus to requirements, the asset will continue to be classified as a surplus asset (within property, plant and equipment) under the Code.

## Service Concessions

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, 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 Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. None of the Council's schemes has had liabilities written down by an initial capital contribution.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- 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.

## **Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

Provisions are made 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **Reserves**

The Council 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 Council – these reserves are explained in the relevant policies.

## **Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from



the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

## **VAT**

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

## **Foundation Schools**

The School Standards and Framework Act 1998 changed the status of Grant-Maintained Schools to Foundation Schools maintained by the local education authority. The change for funding purposes took effect from 1 April 1999. Fixed assets and long-term liabilities remain vested in the Governing bodies of individual foundation schools and therefore values and amounts have not been consolidated in this Balance Sheet. In this authority area there are five Foundation schools with an estimated fixed asset valuation of £25m as at 31 March 2012.

## **Academies**

Academies (originally called City Academies) are State-maintained independent schools set up usually with help from outside sponsors and Government contributions. The schools are run outside of the authority's funding control, although they still operate within all the national requirements for curriculum and standards. As at 31 March 2012, there were seven academies within the borough, four secondary schools and three primary schools.

## **Accounting Standards That Have Been Issued but Not Yet Adopted**

The International Accounting Standards Board (IASB) has amended IFRS7 Financial Instruments: Disclosures (transfer of financial assets) to help users of financial statements:

- evaluate the risk and exposures relating to the transfer of financial assets by an entity to another entity when either those assets are not derecognised or an entity has continued involvement in financial assets transferred to another entity;
- consider the effect of those risks on an entity's financial position; and
- promote transparency in the reporting of such transfers, particularly those that involve the securitisation of financial assets.

The effective date of the standard was 1 July 2011 but local authorities are not required by the Code to implement this amended disclosure requirement until 1 April 2012. The new standard is unlikely to have a material or significant impact on the financial statements of the NAME as the instances of such transfers of financial assets to or from local authorities are rare.

## **Rounding**

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

## MOVEMENT IN RESERVES STATEMENT

This statement (overleaf) 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 2010/11 and 2011/12) with one column for all of the unusable reserves. Movements on individual unusable reserves, for the two years, are on the following two tables

2011/12	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
<b>Balance at 31 March 2011 brought forward</b>	<b>(28,887)</b>	<b>(61,588)</b>	<b>(2,043)</b>	<b>(2,400)</b>	<b>(12,052)</b>	<b>(28,823)</b>	<b>(599)</b>	<b>(28,590)</b>	<b>(164,982)</b>	<b>(931,384)</b>	<b>(1,096,366)</b>
<u>Movement in reserves during 2011/12</u>											
(Surplus) or deficit on the provision of services	(11,105)	0	(155,281)	0	0	0	0	0	<b>(166,386)</b>	<b>0</b>	<b>(166,386)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	<b>0</b>	<b>110,643</b>	<b>110,643</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,105)</b>	<b>0</b>	<b>(155,281)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(166,386)</b>	<b>110,643</b>	<b>(55,744)</b>
Adjustments between accounting basis & funding basis under regulations (Note 41)	14,270	0	152,378	0	0	(5,395)	(3,754)	(13,162)	<b>144,337</b>	<b>(144,337)</b>	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>3,165</b>	<b>0</b>	<b>(2,904)</b>	<b>0</b>	<b>0</b>	<b>(5,395)</b>	<b>(3,754)</b>	<b>(13,162)</b>	<b>(22,050)</b>	<b>(33,694)</b>	<b>(55,744)</b>
Transfer to/from Other Reserves (Notes 42a & 42c)	1,953	0	0	0	(1,953)	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
Transfers to/from Earmarked Reserves (Note 42b & 42c)	(1,434)	1,434	(630)	630	0	0	0	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Increase)/Decrease in 2011/12</b>	<b>3,684</b>	<b>1,434</b>	<b>(3,534)</b>	<b>630</b>	<b>(1,953)</b>	<b>(5,395)</b>	<b>(3,754)</b>	<b>(13,162)</b>	<b>(22,050)</b>	<b>(33,694)</b>	<b>(55,744)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(25,203)</b>	<b>(60,154)</b>	<b>(5,577)</b>	<b>(1,770)</b>	<b>(14,005)</b>	<b>(34,218)</b>	<b>(4,353)</b>	<b>(41,752)</b>	<b>(187,032)</b>	<b>(965,078)</b>	<b>(1,152,110)</b>

UNUSABLE RESERVES DETAIL	Revaluation Reserve (Capital)	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2011</b>	<b>(260,363)</b>	<b>480,904</b>	<b>(1,154,417)</b>	<b>(771)</b>	<b>4,382</b>	<b>(5,526)</b>	<b>4,407</b>	<b>(931,384)</b>
<u>Movement in reserves during 2011/12</u>								
Other Comprehensive Income and Expenditure	36,390	74,253	0	0	0	0	0	<b>110,643</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>36,390</b>	<b>74,253</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110,643</b>
Adjustments between accounting basis & funding basis under regulations (Note 41)	14,121	2,322	(155,263)	32	(750)	(4,505)	(294)	<b>(144,337)</b>
<b>(Increase)/Decrease in 2011/12</b>	<b>50,511</b>	<b>76,575</b>	<b>(155,263)</b>	<b>32</b>	<b>(750)</b>	<b>(4,505)</b>	<b>(294)</b>	<b>(33,694)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>(209,852)</b>	<b>557,479</b>	<b>(1,309,680)</b>	<b>(739)</b>	<b>3,632</b>	<b>(10,031)</b>	<b>4,113</b>	<b>(965,078)</b>

2010/11	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
<b>Balance at 31 March 2010 brought forward</b>	<b>(28,715)</b>	<b>(66,847)</b>	<b>(49)</b>	<b>(140)</b>	<b>(14,485)</b>	<b>(30,969)</b>	<b>(2,089)</b>	<b>(18,481)</b>	<b>(161,775)</b>	<b>(1,002,050)</b>	<b>(1,163,825)</b>
<u>Movement in reserves during 2010/11</u>											
(Surplus) or deficit on the provision of services	(95,064)	0	320,990	0	0	0	0	0	225,926	0	<b>225,926</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	(158,465)	<b>(158,465)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(95,064)</b>	<b>0</b>	<b>320,990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>225,926</b>	<b>(158,465)</b>	<b>67,461</b>
Adjustments between accounting basis & funding basis under regulations (Note 41)	102,584	0	(325,244)	0	0	2,146	1,490	(10,109)	(229,133)	229,133	<b>0</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>7,520</b>	<b>0</b>	<b>(4,254)</b>	<b>0</b>	<b>0</b>	<b>2,146</b>	<b>1,490</b>	<b>(10,109)</b>	<b>(3,207)</b>	<b>70,668</b>	<b>67,461</b>
Transfer to/from Other Reserves (Note 42 & 42a)	(2,433)	0	0	0	2,433	0	0	0	0	0	<b>0</b>
Transfers to/from Earmarked Reserves (Note 42b & 42c)	(5,259)	5,259	2,260	(2,260)	0	0	0	0	0	0	<b>0</b>
<b>(Increase)/Decrease in 2010/11</b>	<b>(172)</b>	<b>5,259</b>	<b>(1,994)</b>	<b>(2,260)</b>	<b>2,433</b>	<b>2,146</b>	<b>1,490</b>	<b>(10,109)</b>	<b>(3,207)</b>	<b>70,668</b>	<b>67,461</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(28,887)</b>	<b>(61,588)</b>	<b>(2,043)</b>	<b>(2,400)</b>	<b>(12,052)</b>	<b>(28,823)</b>	<b>(599)</b>	<b>(28,590)</b>	<b>(164,982)</b>	<b>(931,382)</b>	<b>(1,096,364)</b>

UNUSABLE RESERVES DETAIL	Revaluation Reserve (Capital)	Pensions Reserve	Capital Adjustment Account	Deferred Capital Receipts	Financial Instruments Adjustment Account	Collection Fund Adjustment Account	Accumulated Absences Adjustment Account	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2010 brought forward</b>	<b>(250,146)</b>	<b>760,273</b>	<b>(1,522,238)</b>	<b>(831)</b>	<b>5,303</b>	<b>1,035</b>	<b>4,554</b>	<b>(1,002,050)</b>
<u>Movement in Reserves during 2010/11</u>								
Other Comprehensive Income and Expenditure	(22,046)	(136,419)	0	0	0	0	0	(158,465)
<b>Total Comprehensive Income and Expenditure</b>	<b>(22,046)</b>	<b>(136,419)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(158,465)</b>
Adjustments between accounting basis & funding basis under regulations (Note 41)	11,829	(142,948)	367,821	60	(921)	(6,561)	(147)	229,133
<b>(Increase)/Decrease in 2010/11</b>	<b>(10,217)</b>	<b>(279,367)</b>	<b>367,821</b>	<b>60</b>	<b>(921)</b>	<b>(6,561)</b>	<b>(147)</b>	<b>70,668</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>(260,363)</b>	<b>480,906</b>	<b>(1,154,417)</b>	<b>(771)</b>	<b>4,382</b>	<b>(5,526)</b>	<b>4,407</b>	<b>(931,382)</b>

## 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	2011/12			2010/11		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		128,385	(120,768)	7,617	122,852	(114,046)	8,806
Cultural and Related Services		23,380	(2,687)	20,693	31,449	(1,237)	30,212
Environmental and Regulatory Services		49,152	(7,214)	41,938	53,106	(6,391)	46,715
Planning Services		13,937	(6,997)	6,940	14,542	(7,322)	7,220
Education and children's services		373,807	(258,333)	115,474	430,339	(287,547)	142,792
Highways and transport services		40,693	(32,120)	8,573	40,395	(29,235)	11,160
Local authority housing (HRA) – revaluation losses on dwellings		16,297	0	16,297	337,015	0	337,015
Local authority housing (HRA) - other		139,062	(167,551)	(28,489)	136,016	(152,774)	(16,758)
Other housing services		213,324	(196,261)	17,063	210,555	(189,476)	21,078
Adult social care		135,331	(18,089)	117,242	150,725	(31,613)	119,112
Corporate and democratic core		15,028	(5,264)	9,764	17,182	(12,999)	4,183
Non distributed costs – change in inflation factor for retirement benefits		0	0	0	1,340	0	1,340
Non distributed costs – other		6,062	0	6,062	(148,221)	0	(148,221)
<b>COST OF SERVICES</b>		<b>1,154,458</b>	<b>(815,284)</b>	<b>339,174</b>	<b>1,397,295</b>	<b>(832,640)</b>	<b>564,655</b>
Levies				3,179			3,431
Payments to the Government Housing Capital Receipts Pool				2,261			2,422
(Gains)/losses on the Disposal of Non-Current Assets				(2,518)			(5,113)
Adjustment for schools transferring to academy status				(1,507)			(928)
Impairments on Assets Held for Sale				43,174			0
Other income				(1)			(50)
<b>Other Operating (Income)/Expenditure</b>				<b>44,588</b>			<b>(238)</b>
Interest Payable and Similar Charges - other				37,467			38,433
Interest Payable and Similar Charges - Premium on early repayment of debt				89,051			0
Pensions interest costs and expected return on pensions assets				20,093			22,061
Investment Interest income				(3,749)			(2,959)
<b>Financing and Investment Income and Expenditure</b>				<b>142,862</b>			<b>57,535</b>

	Notes	2011/12			2010/11		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Capital grants and Contributions – HRA self financing settlement				(243,835)			0
Capital grants and Contributions – Overhanging debt grant				(32,926)			0
Capital grants and Contributions – other	16b			(54,473)			(38,428)
Council Tax income				(105,145)			(103,307)
National non-domestic rates Redistribution				(168,661)			(186,807)
Non service related government grants	16a			(87,971)			(67,484)
<b>Taxation and Non-Specific Grant Income</b>				<b>(693,011)</b>			<b>(396,026)</b>
<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>				<b>(166,387)</b>			<b>225,926</b>
<b>Loss / (Gain) on revaluation of non-current assets</b>				<b>36,390</b>			<b>(22,046)</b>
<b>Actuarial losses / (gains) on pension assets / liabilities</b>				<b>74,253</b>			<b>(136,419)</b>
<b>Other Comprehensive (Income) and Expenditure</b>				<b>110,643</b>			<b>(158,465)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(55,744)</b>			<b>67,461</b>



## BALANCE SHEET

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

	Notes	31 March 2012 £'000	31 March 2011 £'000	01 April 2010 £'000
Property, Plant & Equipment	21a			
Council dwellings		1,360,500	1,406,484	1,741,817
Other land and buildings		453,362	518,660	505,203
Vehicles, plant, furniture and equipment		28,539	30,277	18,052
Infrastructure		114,447	113,248	109,521
Community assets		7,481	7,131	24,172
Assets under construction		52,916	12,079	26,632
Surplus assets not held for sale		37,145	51,400	54,947
		<b>2,054,390</b>	<b>2,139,279</b>	<b>2,480,344</b>
Heritage Assets	21b	804	733	354
Intangible Assets				
Software	21d	1,319	2,900	5,539
Long-Term Investments	26	19,483	17,895	10,005
Long-Term Debtors	25	498	754	820
<b>LONG TERM ASSETS</b>		<b>2,076,494</b>	<b>2,161,561</b>	<b>2,497,062</b>
Assets Held for Sale (within less than one year)	22	3,501	0	152
Inventories	23	0	0	11
Short Term Debtors	27	135,173	99,078	108,194
Short Term Investments	26	139,222	93,646	67,033
Cash and Cash Equivalents	28	96,304	88,572	118,688
<b>CURRENT ASSETS</b>		<b>374,200</b>	<b>281,296</b>	<b>294,078</b>
Bank overdraft (Cash and Cash Equivalents)	28	(69,077)	(54,025)	(49,470)
Short Term Borrowing	26	(10,364)	(13,498)	(21,859)
Short Term Creditors	29	(140,178)	(104,844)	(126,199)
Provisions	34	(10,368)	(2,465)	(3,534)
Grants Receipts in Advance - Revenue	29	(12,555)	(14,124)	(9,677)
Grants Receipts in Advance - Capital	30	(23,373)	(18,827)	(2,603)
<b>CURRENT LIABILITIES</b>		<b>(265,915)</b>	<b>(207,783)</b>	<b>(213,342)</b>
Long Term Creditors	26	(23,856)	(24,994)	(26,097)
Provisions	34	(5,159)	(5,012)	(10,747)
Long Term Borrowing	26	(435,217)	(600,427)	(600,357)
Other Long Term Liabilities				
IAS19 Pension Liability	38	(557,481)	(480,906)	(760,273)
Grants Receipts in Advance - Capital	30	(10,959)	(27,371)	(16,499)
<b>LONG TERM LIABILITIES</b>		<b>(1,032,672)</b>	<b>(1,138,710)</b>	<b>(1,413,973)</b>
<b>NET ASSETS</b>		<b>1,152,107</b>	<b>1,096,364</b>	<b>1,163,825</b>

		31 March 2012	31 March 2011	01 April 2010
		£'000	£'000	£'000
Usable Reserves	42			
General Fund		(25,203)	(28,887)	(28,715)
LMS balance		(14,005)	(12,052)	(14,485)
Earmarked Reserves - General Fund		(60,154)	(61,588)	(66,847)
Earmarked Reserves - HRA		(1,770)	(2,400)	(140)
Housing Revenue Account		(5,576)	(2,043)	(49)
Capital Receipts Reserve		(34,218)	(28,823)	(30,969)
Capital Grants Unapplied Account		(41,752)	(28,590)	(18,481)
Major Repairs Reserve		(4,353)	(599)	(2,089)
		<b>(187,031)</b>	<b>(164,982)</b>	<b>(161,775)</b>
Unusable Reserves	43			
Revaluation Reserve		(209,852)	(260,363)	(250,146)
Pensions Reserve		557,481	480,906	760,273
Capital Adjustment Account		(1,309,680)	(1,154,417)	(1,522,238)
Deferred Capital Receipts		(739)	(771)	(831)
Financial Instruments Adjustment Account		3,632	4,382	5,303
Collection Fund Adjustment Account		(10,031)	(5,526)	1,035
Accumulated Absences Adjustment Account		4,113	4,407	4,554
		<b>(965,076)</b>	<b>(931,382)</b>	<b>(1,002,050)</b>
<b>Total Reserves</b>		<b>(1,152,107)</b>	<b>(1,096,364)</b>	<b>(1,163,825)</b>

### Certification of the Chief Financial Officer

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.



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

**Dated 27 September 2012**

## 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.

	2011/12	2010/11
	£'000	£'000
Net (surplus) or deficit on the provision of services	(166,386)	229,389
Adjustments to net surplus or deficit on the provision of services for non cash movements	34,457	(299,503)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	89,857	72,772
Net cash flows from Operating Activities (Note 44)	(42,072)	2,658
Investing Activities (Note 45)	54,173	27,633
Financing Activities (Note 46)	(4,781)	4,380
Net increase or decrease in cash and cash equivalents (Note 48)**	7,320	34,671
Cash and cash equivalents at the beginning of the reporting period (Note 48)	(34,547)	(69,218)
<b>Cash and cash equivalents at the end of the reporting period**</b>	<b>(27,227)</b>	<b>(34,547)</b>

\*\*Refer to note 28 to the Balance Sheet for more detail.

## NOTES TO THE ACCOUNTS (GENERAL)

### 1. Critical Judgements in Applying Accounting Policies

In applying its accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The 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.

#### ***Provisions and Contingent Liabilities***

The assessment of whether a provision, which effects the Council's financial position, should be recognised, or if the matter should be recognised as a contingent liability in a disclosure note to the accounts, is based on the application of the rules in IAS 37: Provisions, Contingent Liabilities and Contingent Assets.

The interpretation of the rules of IAS 37 is particularly challenging with respect to legal cases as a judgement needs to be made as to whether it is more likely than not that a settlement will take place; this depends on what occurs in court rather than a measure of mathematical probability.

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.

Specifically, the issue of whether we need to make provision for potential legal action arising from changing legislation on land charges took careful consideration; it was eventually decided that, as any potential litigation would be highly complex and would also be influenced by other legislation, notably that surrounding "unjust enrichment", there was not enough certainty around either the timing, amount or outcome of such litigation to justify a provision and this matter is accordingly held as a contingent liability.

Similarly, the issue of whether or not the Council would need to repay grants or otherwise indemnify parties in the matter of a procurement exercise for a Combined Heating and Power system for use in some of its housing stock is so remote that a provision was not thought to be the appropriate treatment, even though it concerns the unknown future outcomes of a past event.

#### ***Restructures and Redundancies***

The Council has plans to make further savings in 2012/13 and beyond. A provision has not been made because a constructive obligation did not exist at 31 March 2012 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 2011/12 regarding the future size and structure of the organisation.

#### ***Service Concessions***

The Council is deemed to control the services provided under the PFI agreement for Lillian Baylis School. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12 was introduced for the 2009/10 accounts. The school buildings (valued at £14.4m at 31 March 2012) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council is deemed to control the services provided under the PFI agreement for Lambeth Lighting. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12 was introduced for the 2009/10 accounts. The assets delivered by the agreement (valued at £13.4m at 31 March 2012) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council is deemed to control the services provided under the PFI agreement for Connected Learning. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12 was introduced for the 2009/10 accounts. The assets delivered by the agreement (valued at £0.6m at 31 March 2012) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council is deemed to control the services provided under the outsourcing agreement for waste management. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12:

Service Concession Arrangements was introduced for the 2009/10 accounts. The vehicles used to deliver the agreement (valued at £5.1m at 31 March 2012) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council is deemed to control the services provided under the outsourcing agreement for Home to School Transport Services. The accounting policies for PFI schemes and similar contracts were applied to the arrangement when IFRIC 12 was introduced for the 2009/10 accounts. The vehicles used to deliver the agreement (valued at £0.8m at 31 March 2012) continue to be recognised as Property, Plant and Equipment on the Council's Balance Sheet.

The Council has reviewed its other significant contractual arrangements and has determined that none of these give rise to a service concession under IFRIC 12 or embedded lease arrangement under IFRIC 4: Determining Whether an Arrangement Contains a Lease.

### **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 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. The actuaries Hymans Robertson LLP provide the Council with an estimation of the pension liability that considers these judgements.

As at 31 March 2012, the pension liability for Lambeth was assessed, on this basis, at £1,320.3m with a further £64.3m for Lambeth employees in pension plans with the London Pension Fund Association and a further 42.5m relating to the pre-transfer service cost for former employees now working for Lambeth Living, which the Council has agreed to meet – a total of £1,427.0m. (Due to the nature of the Teachers' Pension Scheme, the liability for Lambeth-employed teachers in occupational pension plans cannot be calculated.) The effects on the net pensions liability of changes in individual assumptions can be measured. 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:

	Approximate increase to pension liability	Approximate increase to monetary amount
	%	£'000
0.5% decrease in real discount rate	9%	116,151
1 year increase in member life expectancy	3%	39,608
0.5% increase in the salary increase rate	2%	23,854
0.5% increase in the pension increase	7%	92,704

### **Termination benefits**

These are covered above under "restructures and redundancies."

## **2. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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 2012 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.

### 3. Changes to the 2011/12 Statement of Accounts

#### 3a) Changes to Service Expenditure Analysis in the 2011/12 SeRCOP

The CIPFA SeRCOP previously instructed authorities to include the service “Culture, Environment, Regulatory and Planning Services” in the Cost of Services for the Comprehensive Income and Expenditure Statement. For 2011/12 the SeRCOP instructed authorities to further analyse this service line up as follows:

- Culture and Related Services.
- Environmental and Regulatory Services.
- Planning Services.

This has also been restated for the 2010/11 Comprehensive Income and Expenditure Statement as shown in the table below. In addition, following a review of the mapping from the Council’s records to the service analysis, minor changes to certain other categories have been made to bring them into line with SeRCOP requirements.

	2010/11 Original			Adjustments Made			2010/11 Restated		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public	122,852	(114,046)	8,806	0	0	0	<b>122,852</b>	<b>(114,046)</b>	<b>8,806</b>
Cultural, environmental, regulatory and planning services	99,815	(14,517)	85,298	(99,815)	14,517	(85,298)	<b>0</b>	<b>0</b>	<b>0</b>
Cultural, and Related Services	0	0	0	31,449	(1,237)	30,212	<b>31,449</b>	<b>(1,237)</b>	<b>30,212</b>
Environmental and Regulatory Services	0	0	0	53,106	(6,391)	46,715	<b>53,106</b>	<b>(6,391)</b>	<b>46,715</b>
Planning Services	0	0	0	14,542	(7,322)	7,220	<b>14,542</b>	<b>(7,322)</b>	<b>7,220</b>
Education and children’s services	429,411	(287,547)	141,864	928	0	928	<b>430,339</b>	<b>(287,547)</b>	<b>142,792</b>
Highways and transport services	35,958	(27,698)	8,260	4,437	(1,537)	2,900	<b>40,395</b>	<b>(29,235)</b>	<b>11,160</b>
Other housing services	214,274	(191,446)	22,828	(3,719)	1,970	(1,750)	<b>210,555</b>	<b>(189,476)</b>	<b>21,078</b>
Adult social care	150,725	(31,613)	119,112	0	0	0	<b>150,725</b>	<b>(31,613)</b>	<b>119,112</b>
Corporate and democratic core	17,182	(12,999)	4,183	0	0	0	<b>17,182</b>	<b>(12,999)</b>	<b>4,183</b>
Non distributed costs – change in inflation factor for retirement benefits	(148,221)	0	(148,221)	0	0	0	<b>(148,221)</b>	<b>0</b>	<b>(148,221)</b>
Non distributed costs – other	1,340	0	1,340	0	0	0	<b>1,340</b>	<b>0</b>	<b>1,340</b>
LMS Academies Adjustment			0			(927)			(927)

### 3b) Lambeth Living Transferees – Pension Fund Liability

From July 2008 the Council established an arm's length management organisation (ALMO) with responsibility for managing the remainder of its housing stock. The ALMO (Lambeth Living Limited) is a company limited by guarantee, wholly owned by the Borough of Lambeth. With the creation of the ALMO, many staff were transferred from the Council, and the Council undertook to guarantee the funding shortfall, if any, accrued in relation to pension benefits up to the day that the transfer occurred.

The actuaries Hymans Robertson's have for the first time produced two separate reports to split this Defined Benefit Obligation between the Lambeth Living transferees and new entrants. As such this has enabled the authority to report the liability within its Statement of Accounts for the very first time (Please refer to Note 38). Previously this guarantee was disclosed by way note only.

As a result the 1 April 2011 opening balances were restated for the Net Pensions Liability and the Pensions Reserve within the Balance Sheet. The corresponding 2011-12 balances have taken into account the impact on the Council of staff transferred over to Lambeth Living.

The IAS 19 report produced by the actuary for Lambeth Living shows the value of this guarantee to be no more than £4.8m as at 31 March 2012 (£4.1m as at 31 March 2011 and £14.4m as at 31 March 2010).

Effect on Opening Balance Sheet 1 April 2011	As Restated 31 March 2011	Restatement	As previously stated 31 March 2011	As Restated 31 March 2010	Restatement	As previously stated 31 March 2010
	£000	£000	£000	£000	£000	£000
<b>Other Long Term Liabilities</b>						
Net Pensions Liability	(480,904)	(4,138)	(476,766)	(760,273)	(14,380)	(745,893)
<b>Unusable Reserves</b>						
Pensions Reserve	480,904	4,138	476,766	760,273	14,380	745,893

	2010/11 Original			Adjustments Made	2010/11 Restated
	Gross Expenditure	Gross Income	Net Expenditure		Net Expenditure
	£'000	£'000	£'000	£'000	£'000
Local authority housing (HRA) – revaluation losses on dwellings	337,015	0	337,015	0	337,015
Local authority housing (HRA) - other	139,604	(152,770)	(13,166)	(3,592)	(16,758)
<b>COST OF SERVICES</b>	<b>476,619</b>	<b>(152,770)</b>	<b>323,849</b>	<b>(3,592)</b>	<b>320,257</b>

Pensions interest costs and expected return on pensions assets	21,932	129	22,061
<b>Financing and Investment Income and Expenditure</b>	<b>21,932</b>	<b>129</b>	<b>22,061</b>
<b>Other Comprehensive Income</b>	<b>(136,419)</b>	<b>6,777</b>	<b>(129,642)</b>

### 3c) Heritage Assets: Change in accounting policy required by the code of practice for local authority accounting

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority. As set out in our accounting policies note, the Authority must now carry heritage assets held in the balance sheet at valuation, however, where it is not possible to provide a reliable valuation the Code permits the asset to be carried at historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the accounting policies note on page 5

In applying the new accounting policy the Authority has identified that the assets that were previously held within property, plant and equipment at £733k should now be recognised as heritage assets and measured at the same value.

The assets relate to the Brixton Windmill which was previously recognised in Other Land & Buildings and Public Realm artwork recognised in the Community Assets classification of property, plant and equipment. The 1 April 2010 and 31 March 2011 Balance sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows;

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at historic cost of £733k. The element that was previously recognised in property, plant and equipment was transferred to Heritage assets.
- The fully restated 1 April 2010 Balance Sheet is provided on pages 49 and 50. The adjustments that have been made to the Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows;

#### The effect on Opening Balance Sheet 1 April 2010

Effect on Opening Balance Sheet 1 April 2010	Opening Balances at April 2010 £'000	Restatement £'000	As restated 31 March 2010 £'000
Council Dwellings	1,741,817	0	1,741,817
Other Land & Buildings	505,203	0	505,203
Vehicles, plant, furniture and equipment	18,052	0	18,052
Infrastructure	109,521	0	109,521
Community	24,526	(354)	24,172
Assets under construction	26,632	0	26,632
Surplus	54,947	0	54,947
Heritage	0	354	354
<b>Total Property, Plant &amp; Equipment</b>	<b>2,480,698</b>	<b>0</b>	<b>2,480,698</b>

The resulting restated Balance Sheet for 31 March 2011 is provided on pages 49 and 50. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows;



## The effect on Opening Balance Sheet 1 April 2011

Effect on Opening Balance Sheet 1 April 2011	As previously stated 31 March 2011	Restatement	As restated 31 March 2011
	£'000	£'000	£'000
Council Dwellings	1,406,484	0	1,406,484
Other Land & Buildings	518,881	(221)	518,660
Vehicles, plant, furniture and equipment	30,277	0	30,277
Infrastructure	113,248	0	113,248
Community	7,289	(158)	7,131
Assets under construction	12,079	0	12,079
Surplus	51,400	0	51,400
Heritage	354	379	733
<b>Total Property, Plant &amp; Equipment</b>	<b>2,140,012</b>	<b>0</b>	<b>2,140,012</b>

The effect of the change in accounting policy in 2010/11 has been that the heritage assets are recognised at £733k on the Balance Sheet with a corresponding reduction in Other, Land & Buildings and Community assets, which are both sub-classifications of property, plant and equipment. Overall property, plant and equipment remain unchanged.

## NOTES TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

### 4. Amounts Reported for Resource Allocation Decisions (Segment Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement 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 directorates. 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 Comprehensive Income and Expenditure Statement)
- 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

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year are as follows:

4a) Directorate Income and Expenditure									
2011/12	Adults' & Community Services £'000	Children and Young People's Services £'000	Finance & Resources £'000	Office of the Chief Executive £'000	Housing, Regeneration and Environment General Fund £'000	Special Items £'000	Total General Fund £'000	Housing, Regeneration and Environment HRA £'000	Total Council £'000
Fees, Charges & Other Service Income	(22,359)	(20,766)	(16,450)	(720)	(51,720)	(7,513)	(119,528)	(172,047)	(291,575)
Government Grants	(1,654)	(237,567)	(287,828)	(110)	(7,926)	(454,071)	(989,156)	(231,314)	(1,220,470)
<b>Total Income</b>	<b>(24,013)</b>	<b>(258,333)</b>	<b>(304,278)</b>	<b>(830)</b>	<b>(59,646)</b>	<b>(461,584)</b>	<b>(1,108,684)</b>	<b>(403,361)</b>	<b>(1,512,045)</b>
Employee Expenses	44,755	204,961	31,019	5,543	32,976	(65,316)	253,938	4,424	258,362
Other Service Expenses	125,884	172,257	317,878	2,729	80,546	165,623	864,917	384,610	1,249,527
Support Service Recharges	10,418	11,387	(32,161)	(7,441)	9,541	0	(8,256)	10,794	2,538
<b>Total Expenditure</b>	<b>181,057</b>	<b>388,605</b>	<b>316,736</b>	<b>831</b>	<b>123,063</b>	<b>100,307</b>	<b>1,110,599</b>	<b>399,828</b>	<b>1,510,427</b>
<b>Net Expenditure from OFA</b>	<b>157,043</b>	<b>130,272</b>	<b>12,458</b>	<b>1</b>	<b>63,417</b>	<b>(361,277)</b>	<b>1,915</b>	<b>(3,533)</b>	<b>(1,618)</b>

Directorate	Income and Expenditure								
2010/11	Adults' & Community Services	Children and Young People's Services	Finance & Resources	Office of the Chief Executive	Housing, Regeneration and Environment General Fund	Special Items	Total General Fund	Housing, Regeneration and Environment HRA	Total Council
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(14,485)	(2,723)	(16,482)	(288)	(58,314)	(3,566)	(95,858)	(151,710)	(247,568)
Government grants	(20,490)	(276,798)	(273,076)	(5,387)	(9,828)	(78,363)	(663,942)	9,436	(654,506)
<b>Total Income</b>	<b>(34,975)</b>	<b>(279,521)</b>	<b>(289,558)</b>	<b>(5,675)</b>	<b>(68,142)</b>	<b>(81,929)</b>	<b>(759,800)</b>	<b>(142,274)</b>	<b>(902,074)</b>
Employee expenses	46,443	214,079	(113,916)	7,885	32,660	(53,772)	133,379	79	133,458
Other service expenses	141,306	168,482	336,733	7,994	95,220	196,539	946,274	131,058	1,077,332
Support service recharges	10,344	11,878	(29,501)	(11,186)	8,233	0	(10,232)	10,488	256
<b>Total Expenditure</b>	<b>198,093</b>	<b>394,439</b>	<b>193,316</b>	<b>4,693</b>	<b>136,113</b>	<b>142,767</b>	<b>1,069,421</b>	<b>141,625</b>	<b>1,211,046</b>
<b>Net Expenditure</b>	<b>163,118</b>	<b>114,918</b>	<b>(96,242)</b>	<b>(982)</b>	<b>67,971</b>	<b>60,838</b>	<b>309,621</b>	<b>(649)</b>	<b>308,972</b>

**4b) Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2010/11 £'000
Net expenditure in the Directorate Analysis	(1,618)	308,972
Net expenditure of services and support services not included in the Analysis	0	(6,786)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	338,307	333,279
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	1,953	(70,811)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>338,642</b>	<b>564,654</b>

#### 4c) 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.

2011/12	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision- making £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges & Other Service Income	(182,680)	0	0	0	0	(182,680)	0	(182,680)
Government Grants	(632,604)	0	0	0	0	(632,604)	0	(632,604)
Interest & Investment Income	(3,749)	0	0	3,749	0	0	(3,749)	(3,749)
Income from Council Tax	(105,145)	0	0	105,145	0	0	(105,145)	(105,145)
Non-Specific Government Grants	(87,971)	0	0	87,971	0	0	(87,971)	(87,971)
Capital Grants and Contributions	(54,473)	0	0	54,473	0	0	(54,473)	(54,473)
Self financing settlement	(243,835)	0	0	243,835	0	0	(243,835)	(243,835)
Overhanging debt grant	(32,926)	0	0	32,926	0	0	(32,926)	(32,926)
Non-domestic rates redistribution	(168,661)	0	0	168,661	0	0	(168,661)	(168,661)
Other Income	(1)	0	0	1	0	0	(1)	(1)
<b>Total Income</b>	<b>(1,512,045)</b>	<b>0</b>	<b>0</b>	<b>696,761</b>	<b>0</b>	<b>(815,284)</b>	<b>(696,761)</b>	<b>(1,512,045)</b>

2011/12	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision- making £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee Expenses	258,362	0	0	0	0	258,362	0	258,362
Other Service Expenditure	976,086	0	0	(165,747)	0	811,317	0	811,317
Support Service Recharges	2,538	0	0	0	0	2,538	0	2,538
Interest Payments	37,467	0	0	(37,467)	0	0	37,467	37,467
Premia	89,051	0	0	(89,051)	0	0	89,051	89,051
Depreciation, Amortisation & Impairments	80,735	0	0	0	0	80,735	0	80,735
Impairment for assets held for sale	43,174	0	0	(43,174)	0	0	43,174	43,174
Levies	3,179	0	0	(3,179)	0	0	3,179	3,179
LMS Adj (Academies)	0	0	0	1,507	0	1,507	(1,507)	0
Pensions interest cost less return on assets	20,093	0	0	(20,093)	0	0	20,093	20,093
Payments to Housing Capital Receipts Pool	2,261	0	0	(2,261)	0	0	2,261	2,261
(Gain) or Loss on Disposal of Fixed Assets	(2,518)	0	0	2,518	0	0	(2,518)	(2,518)
<b>Total expenditure</b>	<b>1,510,427</b>	<b>0</b>	<b>0</b>	<b>(356,947)</b>	<b>0</b>	<b>1,154,458</b>	<b>191,200</b>	<b>1,345,658</b>
<b>(Surplus) or deficit on the provision of Services</b>	<b>(1,618)</b>	<b>0</b>	<b>0</b>	<b>339,814</b>	<b>0</b>	<b>339,174</b>	<b>(505,561)</b>	<b>(166,387)</b>

2010/11	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision- making	Amounts not included in CIES	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(244,560)	2,546	0	(6,163)	0	(248,177)	0	(248,177)
Government Grants	(576,144)	(8,315)	0	0	0	(584,459)	0	(584,459)
Interest & Investment Income	(2,959)	0	0	2,959	0	0	(2,959)	(2,959)
Income from Council Tax	0	0	0	0	0	0	(95,946)	(95,946)
Non-Specific Government Grants	(40,357)	0	0	40,357	0	0	(67,484)	(67,484)
Capital Grants and Contributions	(38,006)	0	0	38,006	0	0	(38,428)	(38,428)
Non-domestic rates redistribution	0	0	0	0	0	0	(186,807)	(186,807)
Other Income	(50)	0	0	50	0	0	(50)	(50)
<b>Total Income</b>	<b>(902,076)</b>	<b>(5,769)</b>	<b>0</b>	<b>75,209</b>	<b>0</b>	<b>(832,636)</b>	<b>(391,674)</b>	<b>(1,224,310)</b>



2010/11	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision- making £'000	Amounts not included in CIES £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Employee Expenses	133,434	0	(3,592)	6,292	0	136,134	0	136,134
Other Service Expenses	1,351,326	(1,017)	0	(90,336)	0	1,259,973	(7,362)	1,252,611
Support Service Recharges	256	0	0	0	0	256	0	256
Exceptional item - Impairment	(336,871)	0	336,871	0	0	0	0	0
Precepts and Levies	3,431	0	0	(3,431)	0	0	3,431	3,431
Interest Payments	38,433	0	0	(38,433)	0	0	38,433	38,433
LMS Adj Disclosure				928		928	(928)	0
Pensions interest cost less return on assets	22,061	0	0	(22,061)	0	0	22,061	22,061
Payments to Housing Capital Receipts Pool	2,422	0	0	(2,422)	0	0	2,422	2,422
(Gain) or Loss on Disposal of Fixed Assets	(3,444)	0	0	3,444	0	0	(5,113)	(5,113)
<b>Total expenditure</b>	<b>1,211,048</b>	<b>(1,017)</b>	<b>333,279</b>	<b>(146,019)</b>	<b>0</b>	<b>1,397,291</b>	<b>52,944</b>	<b>1,450,235</b>
<b>Surplus or deficit on the provision of services</b>	<b>308,972</b>	<b>(6,786)</b>	<b>333,279</b>	<b>(70,810)</b>	<b>0</b>	<b>564,655</b>	<b>(338,730)</b>	<b>225,925</b>

## 5. Material Items of Income and Expense

### 5a) HRA Self Financing

On the 1<sup>st</sup> February 2012 CLG (Department for Communities and Local Government) published final determinations which effectively brought an end to the subsidy system and introduced self financing from April 2012. The Secretary of State made a payment of £165.2m on the 28 March 2012 for the redemption of debt from PWLB on behalf of the council. In addition, £78.6m was paid by the Secretary of State to settle premia arising from the early redemption of that debt.

To reflect the unique nature of this transaction and to ensure that these transactions are easily identifiable within the financial statements for WGA (Whole of Government Accounts) purposes the transactions associated with the settlement have been reported separately on the face of the Comprehensive Income and Expenditure Statement.

### 5b) Transfer of housing stock

The council transferred some of its housing stock to WATMOS Community Homes during 2011/12. The transfer was made for nil consideration, giving rise to an impairment loss of £43.3m. As well as repaying £22,500k of the council's debt as a result of the transfer, the sum of £10.4m (net) of premiums and discounts paid for the early redemption of these loans was reimbursed by the Government. £4.6m (net) is chargeable to the HRA and matched by grant.

## 6. Street Market Operations

Income from market operations arises from the issue of annual licences to stall holders and casual market traders at all markets currently operated by the Council. Expenditure includes the cost of providing facilities for markets, erection and dismantling of stalls, where applicable, and the collection of rents from market traders.

	2011/12	2010/11
	£'000	£'000
Income	(469)	(472)
Expenditure	501	391
Deficit/(Surplus)	32	(81)

## 7. 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.

	2011/12	2010/11
	£'000	£'000
Income	(24,909)	(24,294)
Expenditure	17,381	17,880
(Surplus)/Deficit for the year	(7,528)	(6,414)

### Use of Surplus

Concessionary Fares	1,000	2,000
Revenue Contribution to Capital	1,500	0
Road Safety	162	297
Other Highways Expenditure	2,878	2,693
Structural Maintenance inc. Footways & Carriageways	1,053	964
Transport Planning	277	279
Aids to Movement, Furniture & Fittings	78	129
Lighting excl. PFI and energy costs	0	0
Repairs & Maintenance	0	0
Other Contributions to Transport Related Works	126	52
(Surplus) / Deficit for year	(454)	0

## 8. 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.

### Building Regulations Charging Account 2011/12

	Chargeable £'000s	Non- Chargeable £'000s	Total Building Control £'000s
<b>Expenditure</b>			
Employees	495	124	619
Premises	0	0	0
Transport	5	1	6
Supplies & Services	25	6	31
Third Party Payments	0	0	0
Central & Support Charges	220	55	275
	<b>745</b>	<b>186</b>	<b>931</b>
<b>Income</b>			
Building Regulations Charges	(680)	0	(680)
Miscellaneous Income	0	0	0
	<b>(680)</b>	<b>0</b>	<b>(680)</b>
<b>(Surplus)/Deficit for the Year</b>	<b>65</b>	<b>186</b>	<b>251</b>

### Building Regulations Charging Account 2010/11

	Chargeable £'000s	Non- Chargeable £'000s	Total Building Control £'000s
<b>Expenditure</b>			
Employees	606	192	798
Premises	0	0	0
Transport	7	2	8
Supplies & Services	50	12	62
Third Party Payments	0	0	0
Central & Support Charges	139	35	174
	<b>802</b>	<b>241</b>	<b>1,042</b>
<b>Income</b>			
Building Regulations Charges	(665)	0	(665)
Miscellaneous Income	0	0	0
	<b>(665)</b>	<b>0</b>	<b>(665)</b>
<b>(Surplus)/Deficit for the Year</b>	<b>137</b>	<b>241</b>	<b>377</b>

## 9. Pooled Budgets

### Pooled Budgets under s31 Health Act 1999

The Council had one such scheme. Adult Learning Disabilities (ALD) was in partnership with Lambeth PCT with the Council being accountable to the PCT for the discharge of its (the PCT's) statutory commissioning obligations however, this scheme was disbanded from 1st April 2011 with both organisations directly funding and managing their statutory commissioning obligations. The gross income and expenditure for 2010/11 is shown below.

	2011/12	2010/11
	£'000	£'000
Income		
From LB Lambeth	0	(21,277)
From Lambeth PCT	0	(14,200)
<b>Total income</b>	<b>0</b>	<b>(35,477)</b>
<b>Total Expenditure</b>	<b>0</b>	<b>35,477</b>

## 10. ALMO – Arm's Length Management Organisations

**United Residents Housing (URH):** The Council is the sole member of United Residents Housing Limited (URH), an Arms Length Management Organisation, which was incorporated on 31 May 2007. URH is a controlled company of the Council, and is limited by guarantee.

There is a management agreement between URH and the Council, which provides that URH will manage part of the delegated budgets within the HRA for capital expenditure and planned maintenance. The management fee paid to United Residents Housing in 2011/12 was £692,700 (£697,488 in 2010/11). The Council has determined that the transactions with URH are not of a material nature and therefore there is no requirement to incorporate in group accounts.

**Lambeth Living Ltd (LL):** From 1 July 2008 the Council established an arm's length management organisation (ALMO) with responsibility for managing the remainder of its housing stock. The ALMO (Lambeth Living Ltd) is a company limited by guarantee, wholly owned by the London Borough of Lambeth. The establishment of this ALMO has not involved any change in the ownership of the housing stock and the property managed by the ALMO remains within the Housing Revenue Account (HRA). Budgets for maintenance of housing stock and capital schemes are delegated to the ALMO acting as agent for the Council. The management fee paid to Lambeth Living Ltd in 2011/12 was £23,656,253 (£25,383,962 in 2010/11). Transactions with the company are contained within the Housing Revenue Account. With the creation of the ALMO, many staff were transferred from the Council, and the Council undertook to guarantee the funding shortfall, if any, accrued in relation to pension benefits up to the day that the transfer occurred. 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 2012 was £4.8m (£4.1m as at 31 March 2011).

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

## 11. Agency Services

### 11a) Thames Water Income and Expenditure

The Council acts as an agent for Thames Water Utilities Limited in its capacity as a Local Housing Authority, whereby the Council collects charges on behalf of Thames Water. The transactions are as shown below.

	2011/12	2010/11
	£'000	£'000
Charges receivable	(8,093)	(7,845)
Amount paid to Thames Water	6,831	6,396
Collection cost	(1,262)	(1,449)

### 11b) Agency Income and Expenditure

The Council acts as an agent for the Primary Care Trust, whereby the Council pays the Care Providers gross and then collects the Nursing Care element from the PCT. This arrangement started in April 2004. (In 2003/04 Care Providers invoiced the PCT directly). The transactions for 2011/12 are shown below, and include four types of services namely Older Persons, Physical Disabilities, Learning Disabilities and Mental Health. The movement from 2010/11 levels is due to reduction in the number of clients identified as entitled to Free Nursing Care and corresponding charge to the PCTs.

	2011/12	2010/11
	£'000	£'000
Nursing Care cost	1,491	1,577
PCT Contribution	(1,491)	(1,577)

### 11c) Business Improvement District Income and Expenditure

Lambeth Council acts as billing authority for the Waterloo Quarter Business Alliance, a Business Improvement District, which came into effect on 1 April 2006 (previously it was funded by regeneration grant as a pilot scheme known as Circle Waterloo). Under this arrangement, in 2011/12, £252k of income was raised on behalf of WQBA, of which £20k was reimbursed to meet the costs of collection by Capita (£263k in 2010/11 and £20k). The Council does not incur any liabilities as a result of this agreement.

## 12. Members' Allowances

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

	2011/12	2010/11
	£'000	£'000
Basic Allowance	664	666
Special Responsibility Allowance	489	488
Travel Allowance/Subsistence*	1	1
Telephone Allowance	0	15
	<b>1,154</b>	<b>1,170</b>

\*The whole amount of £958.90 in 2011/12 comprises travel expenses only (£479.91 in 2010/11).

## 13. Officers' Remuneration

See overleaf.

### 13a. Senior Officers' Remuneration

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

Name and Post Title	Year	Salary, Fees & Allowances £	Bonuses £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration excluding employers' pension contributions £	Employers' pension contributions £	Total Remuneration including employers' pension contributions £
<b>Derrick Anderson</b> Chief Executive	2011/12	193,853	0	0	0	193,853	32,437	226,290
	2010/11	213,629	0	2,334	0	215,963	30,976	246,939
<b>Mike Suarez</b> Executive Director – Finance & Resources	2011/12	153,941	0	0	0	153,941	25,568	179,509
	2010/11	152,190	0	2,334	0	154,524	22,068	176,592
<b>Deborah Jones<sup>1</sup></b> Executive Director – Children & Young People's Service	2011/12	152,579	0	317	0	152,896	25,568	178,464
	2010/11	99,693	0	0	0	99,693	14,237	113,930
<b>Joan Cleary</b> Executive Director – Adult & Community Services	2011/12	152,579	0	0	0	152,579	25,568	178,147
	2010/11	152,190	0	2,334	0	154,524	22,068	176,592
<b>Susan Foster<sup>2</sup></b> Executive Director – Housing, Regeneration & Environment	2011/12	154,524	0	13	0	154,537	25,568	180,105
	2010/11	63,412	0	973	0	64,385	9,195	73,580
<b>Craig Tunstall</b> Federation of Kingswood & Elmwood Primary Schools and Children's Centres	2011/12	186,317	0	0	0	186,317	24,861	211,178
	2010/11	186,203	0	0	0	186,203	25,949	212,152
<b>Janet Mulholland</b> Headteacher & Executive Director of the Stockwell & Jessop Primary Schools Federation	2011/12	155,412	0	0	0	155,412	21,913	177,325
	2010/11	152,716	0	0	0	152,716	21,533	174,249

Name and Post Title	Year	Salary, Fees & Allowances £	Bonuses £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration excluding employers' pension contributions £	Employers' pension contributions £	Total Remuneration including employers' pension contributions £
<b>Phyllis Dunipace<sup>3</sup></b> Executive Director – Children & Young People's Service	2010/11	92,051	0	889	0	92,940	7,831	100,771
<b>Ginni Bealing<sup>4</sup></b> Headteacher - Lansdowne Special School	2010/11	45,724	0	0	0	45,724	6,447	52,171
<b>Christopher Toye<sup>5</sup></b> Headteacher - Wyvil School	2010/11	132,462	0	0	0	132,462	17,949	150,411

1. Deborah Jones joined on 9 August 2010, replacing Phyllis Dunipace (see 3 below), with annualised remuneration of £152,190, excluding employers' pension contributions.
2. Susan Foster joined on 1 November 2010 on annualised remuneration of £154,524, excluding employers' pension contributions.. She replaced an Interim Director.
3. Phyllis Dunipace resigned as Executive Director of the Children & Young People's Service on 8 August 2010.
4. Ginni Bealing left the Council on 31 August 2010 with annualised remuneration of £138,006, excluding employers' pension contributions.
5. Christopher Toye's total remuneration in 2011/12 does not meet the criteria specified by the regulations for disclosure.

### 13b. 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	
	2011/12	2010/11
£50,000-£54,999	168	198
£55,000-£59,999	111	108
£60,000-£64,999	53	59
£65,000-£69,999	33	38
£70,000-£74,999	40	36
£75,000-£79,999	16	19
£80,000-£84,999	21	24
£85,000-£89,999	10	5
£90,000-£94,999	8	15
£95,000-£99,999	4	8
£100,000-£104,999	3	4
£105,000-£109,999	7	7
£110,000-£114,999	2	6
£115,000-£119,999	7	1
£120,000-£124,999	0	2
£125,000-£129,999	1	1
£130,000-£134,999	2	1
£135,000-£139,999	0	1
£140,000-£144,999	0	0
£145,000-£149,999	1	0
£150,000-£154,999	4	3
£155,000-£159,999	1	0
£160,000-£164,999	0	0
£165,000-£169,999	0	0
£170,000-£174,999	0	0
£175,000-£179,999	0	0
£180,000-£184,999	0	0
£185,000-£189,999	1	1
£190,000-£194,999	1	0
£195,000-£199,999	0	0
£200,000-£204,999	0	0
£205,000-£209,999	0	0
£210,000-£214,999	0	0
£215,000-£219,999	0	1
£220,000-£224,999	0	0
£225,000-£229,999	0	0



### 13c. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below: -

(a)		(b)		(c)		(d)		(e)	
Exiting Package cost band (including special payments)		Number of compulsory redundancies		Number of other Departures agreed		Total Number of Exit packages by cost band (b+c)		Total Cost of Exit Packages in each band	
£								£	£
		2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
0 – 20,000		168	116	190	167	358	283	2,537,201	1,945,094
20,001 – 40,000		54	20	30	37	84	57	2,156,781	1,497,286
40,001 – 60,000		6	2	4	6	10	8	462,687	382,860
60,001 – 80,000		7	0	2	0	9	0	615,416	0
80,001 – 100,000		0	0	0	3	0	3	0	279,029
100,001 – 150,000		4	0	0	0	4	0	428,097	0
<b>Total Cost of exit package before provision</b>		<b>239</b>	<b>138</b>	<b>226</b>	<b>213</b>	<b>465</b>	<b>351</b>	<b>6,200,182</b>	<b>4,104,269</b>
<b>Provision for Agreed Payable Benefits</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Cost of Termination Benefits per CIE</b>		<b>239</b>	<b>138</b>	<b>226</b>	<b>213</b>	<b>465</b>	<b>351</b>	<b>6,200,182</b>	<b>4,104,269</b>

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table above.

The total cost of £6,200,182 (£4,104,269 in 2010/11) in the table above includes £1,078,824 (£851,811 in 2010/11) 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 2012/13.

The authority's Comprehensive Income and Expenditure Statement does not includes a provision for the cost of restructures and redundancies (please refer to Statement of Accounting Policies)

### 14. 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:

	2011/12 £'000	2010/11 £'000
Fees payable to Deloitte LLP with regard to external audit services carried out by the appointed auditor for the year	458	508
Fees payable to Deloitte LLP for the certification of grant claims and returns for the year	130	144
Fees payable to Deloitte LLP for the audit of the Lambeth Pension Scheme Annual Report	35	35
Fees payable to Deloitte LLP in relation to advice on the Myatts Fields PFI	298	144
	<b>921</b>	<b>831</b>

## 15. Publicity Expenditure

The Council's Publicity Expenditure is set out below:

	2011/12 £'000	2010/11 £'000
Recruitment Advertising	94	268
Other Advertising	55	161
Promotions & Other Publicity	282	508
	<b>432</b>	<b>938</b>

The Council stopped the production of the Lambeth Life on 31 March 2011.

## 16. Grant Income and Contributions

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

### 16a.

	2011/12 £'000	2010/11 £'000
<b>Revenue Grant Income and Contributions</b>		
<b>Credited to Taxation and Non Specific Grant Income</b>		
ABG	0	(40,357)
Warm Homes Healthy People	(131)	0
Preventing Repossessions Fund (aka Mortgage Rescue Grant)	(152)	0
Early Intervention Grant	(19,765)	0
RSG (Formula Grant)	(52,133)	(27,127)
Council Tax Freeze	(2,463)	0
Local Services Support Grant	(3,134)	0
New Homes Bonus	(1,973)	0
Learning Disability and Health Reform Grant	(8,220)	0
<b>Sub Total Taxation and Non Specific Grant Income</b>	<b>(87,971)</b>	<b>(67,484)</b>

**16a continued**

	2011/12	2010/11
Revenue Grant Income and Contributions	£'000	£'000
<b>Credited to Services (Government Grants)</b>		
Performance Reward Grant	0	(3,448)
Sure Start Early Years- EYDCP Childcare	0	(17,347)
School Standard Grant Formula Developed	0	(5,064)
SSG Personalisation Grant	0	(2,157)
Future Jobs Fund	0	(1,856)
Street Population Grant (Homelessness)	0	(2,201)
YPLA (LSC) F.E. Grant	0	(4,771)
Clapham Park	0	(1,474)
Dedicated Schools Grant	(204,760)	(183,721)
Housing and Council Tax (Benefit and Subsidy)	(281,911)	(267,289)
PFI Support Grant Income - Gracefield Gardens & Street Lighting <sup>1</sup>	(1,724)	(5,433)
PFI Lilian Baylis PFI Project (DFES grant) & Connected Learning Project (LCLP) <sup>2</sup>	(3,675)	0
Standards Fund	(4,968)	(27,304)
DWP Subsidy Administration grant	(4,443)	(4,751)
Pupil Premium	(4,415)	0
Adult Learning Support	(2,285)	(2,506)
Youth Justice Grant & Youth Opportunity Fund	(957)	0
YPLA (LSC) 6th form Grant	(5,362)	(5,998)
Payment by Results	(127)	0
Joint Finance Contributions	(1,421)	(13,483)
Other contributions	(3,786)	0
Reimbursement - RNCC - Lambeth PCT	(1,347)	(1,411)
Nursery Pupil Funding - Schools	(1,204)	0
Income Facilities & Services - Schools	(5,182)	0
Income - Catering - schools	(1,094)	0
Capital Income - schools	(1,044)	(1,749)
Focused Extended Funding	(3,064)	(3,681)
Other Government Grants - revenue (under £1.5m)	(6,679)	(14,944)
<b>Credited to Services (Other Non-Government Grants)</b>	(458)	0
<b>Other Contributions - Revenue (under £1.5m)</b>	(4,547)	(13,912)
<b>Sub-Total Credited to Services</b>	<b>(544,453)</b>	<b>(584,500)</b>
<b>Grand Total</b>	<b>(632,424)</b>	<b>(651,984)</b>

1 & 2 These two grants were combined for 2010/11 but have been split out in 2011/12.

**16b.**

	2011/12	2010/11
Capital Grant Income and Contributions	£000	£000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Transport for London	(3,299)	(8,397)
Section 20 Receipts	(4,033)	(4,961)
Standard Fund	(40,502)	(13,000)
S106 developers' contributions	(3,201)	0
Other Grants - Capital (under £1.5m)	(3,438)	(12,069)
<b>Sub-Total</b>	<b>(54,473)</b>	<b>(38,427)</b>

	2011/12	2010/11
Capital Grant Income and Contributions	£000	£000
<b>Credited to Services</b>		
Sure Start	0	(2,207)
Standards Fund	(9,092)	(5,835)
S106 developers' contributions	(1,589)	0
Other Grants-Capital (under 1.5m)	(3,174)	(273)
<b>Sub-Total</b>	<b>(13,855)</b>	<b>(8,315)</b>
<b>Total</b>	<b>(68,328)</b>	<b>(46,742)</b>

## 17. Related Parties

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. 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 16. Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 29 and 30 to the balance sheet respectively. Other amounts due to or from central government at the relevant balance sheet dates are included in Notes 27a and 29a to the balance sheet.

### Members

Members of the Council have direct control over the Council's financial and operating policies. During 2011/12 grants to the value of £9,641,018 (£17,007,956 in 2010/11) were paid to organisations in which 17 members (19 members in 2010/11) 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 63 declarations of interest due from members for 2011/12, 50 were returned (37 in 2010/11). Further information is available in note 12 on allowances paid to members.

### Officers

During 2011/12 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.

### Other Public Bodies

In addition, the council paid 14,564,108 (£14,646,354 in 2010/11) to Western Riverside Waste Authority in respect of waste disposal charges and £1,097,904 (2010/11 £1,313,416) in respect of levies. The Council's pooled budget arrangement with Lambeth Primary Care Trust in relation to adult learning disabilities ended on 31 March 2011. Further information is provided in note 26. The Council has borrowing of £442,527,560 (£610,428,308 in 2010/11) with the Public Works Loan Board (PWLb). The Waste Authority, the Primary Care Trust, and PWLB are under common control of central government.

The Council paid £23,656,253 (£25,383,962 in 2010/11) to Lambeth Living Limited in respect of management fees. Lambeth Living Limited is a subsidiary of the Council. The amount due from Lambeth Living Limited is shown in note 27b to the balance sheet. Further information on transactions with this and the United Residents Housing is given in Note 10 to the Comprehensive Income and Expenditure Statement.

United Residents Housing Limited is another subsidiary of the Council and was paid £692,700 (£697,488 in 2010/11) in respect of management fees.

Information in respect of material transactions with the Pension Fund is disclosed within the Pension Fund accounts (£22.78m owed to the Council as at 31 March 2012, £21.43m as at 31 March 2011). 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 £779,000 for expenses incurred in administering the fund. The breakdown of these charges is as follows:

## **Administrative Expenses**

	2011/12	2010/11
	£'000	£'000
Pensions Administration	490	488
Pension Fund Administration	150	254
Additional Central Overhead Recharges (SeRCOP)	139	114
<b>Total charge to the Pension Fund</b>	<b>779</b>	<b>856</b>

### **18. Exceptional Item**

Please refer to the Material Items of Income and Expense note 5 on page 66 for further information on the HRA Self financing settlement.

### **19. IFRIC 12 Service Concession Arrangements (Including PFI contracts)**

The implementation of IFRS has resulted in 5 contracts being brought on to the Balance Sheet and included in the notes to comply with the disclosure requirements for IFRIC 12.

Details of the Contract payments are described below.

The Home to School contract provides transport services for children and young people with special needs being educated in the borough. The contract commenced on the 1<sup>st</sup> August 2007 for an initial term of 5 years. The Council made payments of £2.7m in 2011/12. The contract comes to an end in August 2012 so the proportionate payments estimated for the period are £878k. This is a statutory service so it is expected that total costs similar to £2.7m will be incurred in 2012/13.

The Waste Management contract provides services including; street cleansing, waste collection and disposal, and a recycling service. The contract commenced on the 1<sup>st</sup> April 2007 for an initial term of 7 years at an estimated cost of £16m pa plus inflation, variation and performance changes. There has been an increase in costs as a result of the operator (Veolia) having to deliver services from multiple sites. Furthermore the expected increase in contract spend for 2011/12 was based on an RPIX of 4.7%, against the estimated increase at the start of the contract of 3.5%. The total contract spend was renegotiated down from £19.2m to £17m. The contract expires in 2013/14, however it is expected that the Council will continue to incur costs at this level in the future.

The Lilian Baylis contract became operational in January 2005 and the Council made payments to Focus Education Ltd of £2.4m in 2011/12. In 2012/13 the commitment is approximately £2.6m, though the actual sum paid will be subject to performance levels. The contract is for 25 years, and annual payments will increase by inflation.

In 2010/11 the authority made payments of £2.2m to RM Plc and is committed to making payments estimated at £2.3m for 2011/12 under the contract with RM Plc for the provision of ICT managed services in ten of the authority's schools. The actual level of payments will be subject to indexation and RM Plc's performance.

The Council is committed to make payments to Lambeth Lighting Services Ltd, the street lighting contractor. The contract is for a period of 25 years and the first four years will have seen the majority of the government's £17.2m funding spent on capital improvements. This includes upgrading or replacing all residential street lighting not meeting current standards and installing additional lighting. For 2011/12 these payments amounted to £2.4m with a similar level of expenditure expected in 2012/13.

The Streatham Customer Centre opened at Gracefield Gardens in January 2008. The centre, which is operated in partnership with Lambeth PCT, is based in their building and provides access to the full range of Lambeth Services. The contract with the PCT commenced in October 2007 and the charge for 2011/12 is £469k. The cost for 2011/12 is expected to be the same amount adjusted for the effects of inflation.

## 20. Carbon Reduction Commitment 2011/12

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014.

The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date.

The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

	Tonnes of CO <sub>2</sub>
2010/11 CRC CO <sub>2</sub> Emissions	31,328
Less Streetlighting (Included in 2010/11 Annual Report but not required for inclusion in 2011/12)	(4,315)
<b>Estimated 2011/12 CRC CO<sub>2</sub> Emissions</b>	<b>27,013</b>
	<b>£</b>
<b>Cost of Carbon Allowance per Tonne of CO<sub>2</sub> Emissions</b>	<b>12</b>
<b>Estimated Cost of 2011/12 CO<sub>2</sub> Allowance Purchase</b>	<b>324,000</b>

(The CRC Scheme did not require participants to purchase allowances in 2010/11 and so no prior year figures are necessary for this disclosure)

## NOTES TO THE BALANCE SHEET

A breakdown of non-current assets is shown overleaf.

## 21a. Property, Plant and Equipment

### Movements on Balances

2011/12	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
<b>Cost or Valuation</b>								
<b>At 1 April 2011</b>	<b>1,406,508</b>	<b>547,322</b>	<b>54,428</b>	<b>137,308</b>	<b>7,422</b>	<b>52,413</b>	<b>12,078</b>	<b>2,217,479</b>
Reclassifications	0	(5,899)	0	0	0	0	5,899	0
Additions	30,757	18,563	7,100	7,452	583	0	34,939	99,394
Donations	0	0	0	0	0	0	0	0
Impairments	0	(2,074)	(10)	0	0	(2,120)	0	(4,204)
Revaluation increases recognised in the Revaluation Reserve	7,037	5,925	0	0	0	369	0	13,331
Revaluation decreases recognised in the Revaluation Reserve	(10,201)	(70,733)	0	0	(98)	(3,396)	0	(84,428)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	3,803	0	0	0	0	97	0	3,900
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(25,556)	(21,030)	0	0	(83)	(1,124)	0	(47,793)
Derecognition - Disposals	(5,225)	(12,471)	0	0	0	(2,650)	0	(20,346)
Derecognition - Other	(433)	(136)	0	0	0	0	0	(569)
Assets reclassified (to) / from Held for Sale	(46,153)	(1,129)	0	0	0	(4,915)	0	(52,197)
Other movements in Cost or Valuation	0	0	0	0	0	(1,225)	0	(1,225)
<b>At 31 March 2012</b>	<b>1,360,537</b>	<b>458,338</b>	<b>61,518</b>	<b>144,760</b>	<b>7,824</b>	<b>37,449</b>	<b>52,916</b>	<b>2,123,342</b>



2011/12	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
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2011</b>	(27)	(28,665)	(24,151)	(24,060)	(291)	(1,009)	0	(78,203)
Reclassifications	0	0	0	0	0	0	0	0
Depreciation charge	(16,258)	(11,853)	(8,832)	(6,252)	(141)	(559)	0	(43,895)
Impairments	0	189	3	0	0	93	0	285
Depreciation written out to the Revaluation Reserve	3,408	34,813	0	0	90	829	0	39,140
Depreciation written out to Surplus / Deficit on the Provision of Services	12,230	209	0	0	0	224	0	12,663
Impairment losses / (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition - Disposals	55	314	0	0	0	116	0	485
Derecognition - Other	0	0	0	0	0	0	0	0
Eliminated on reclassification to Assets Held for Sale	554	17	0	0	0	2	0	573
Other movements in Depreciation and Impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2012</b>	<b>(38)</b>	<b>(4,976)</b>	<b>(32,980)</b>	<b>(30,312)</b>	<b>(342)</b>	<b>(304)</b>	<b>0</b>	<b>(68,952)</b>
<b>Net Book Value</b>								
<b>At 31 March 2011</b>	<b>1,406,481</b>	<b>518,657</b>	<b>30,277</b>	<b>113,248</b>	<b>7,131</b>	<b>51,404</b>	<b>12,078</b>	<b>2,139,276</b>
<b>At 31 March 2012</b>	<b>1,360,499</b>	<b>453,362</b>	<b>28,538</b>	<b>114,448</b>	<b>7,482</b>	<b>37,145</b>	<b>52,916</b>	<b>2,054,390</b>
Owned	1,360,499	438,962	22,088	101,065	7,482	37,145	52,916	2,020,157
Finance Lease	0	0	6,450	0	0	0	0	6,450
Service Concession Arrangement	0	14,400	0	13,383	0	0	0	27,783
	<b>1,360,499</b>	<b>453,362</b>	<b>28,538</b>	<b>114,448</b>	<b>7,482</b>	<b>37,145</b>	<b>52,916</b>	<b>2,054,390</b>

2010/11	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
<b>Cost or Valuation</b>								
<b>At 1 April 2010</b>	<b>1,760,241</b>	<b>526,328</b>	<b>35,938</b>	<b>127,894</b>	<b>25,938</b>	<b>55,415</b>	<b>26,632</b>	<b>2,558,386</b>
Restatement	0	0	0	0	(354)	0	0	(354)
<b>At 1 April 2010</b>	<b>1,760,241</b>	<b>526,328</b>	<b>35,938</b>	<b>127,894</b>	<b>25,584</b>	<b>55,415</b>	<b>26,632</b>	<b>2,558,032</b>
Reclassifications	0	0	11,520	0	(15,616)	0	4,096	0
Additions	35,288	12,313	11,042	9,414	735	37	6,071	74,900
Donations	0	0	0	0	0	0	0	0
Impairments	(811)	(5,353)	(3,967)	0	(223)	0	0	(10,354)
Revaluation increases recognised in the Revaluation Reserve	35,094	41,296	0	0	0	189	0	76,579
Revaluation decreases recognised in the Revaluation Reserve	(74,180)	(7,060)	0	0	(2,714)	0	0	(83,954)
Revaluation increases recognised in the Surplus / Deficit on the Provision of Services	0	721	0	0	0	0	0	721
Revaluation decreases recognised in the Surplus / Deficit on the Provision of Services	(343,708)	(7,368)	0	0	(344)	0	0	(351,420)
Derecognition - Disposals	(5,416)	(12,580)	(105)	0	0	(3,228)	(24,721)	(46,050)
Derecognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to) / from Held for Sale	0	(975)	0	0	0	0	0	(975)
Other movements in Cost or Valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	<b>1,406,508</b>	<b>547,322</b>	<b>54,428</b>	<b>137,308</b>	<b>7,422</b>	<b>52,413</b>	<b>12,078</b>	<b>2,217,479</b>

2010/11	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
<b>Accumulated Depreciation and Impairment</b>								
<b>At 1 April 2010</b>	<b>(18,424)</b>	<b>(21,127)</b>	<b>(17,886)</b>	<b>(18,373)</b>	<b>(1,412)</b>	<b>(468)</b>	<b>0</b>	<b>(77,690)</b>
Restatement	0	0	0	0	0	0	0	0
<b>At 1 April 2010</b>	<b>(18,424)</b>	<b>(21,127)</b>	<b>(17,886)</b>	<b>(18,373)</b>	<b>(1,412)</b>	<b>(468)</b>	<b>0</b>	<b>(77,690)</b>
Reclassifications	0	0	(1,000)	0	1,137	0	(136)	1
Depreciation charge	(16,336)	(11,797)	(5,831)	(5,687)	(106)	(561)	0	<b>(40,318)</b>
Impairments	12	315	566	0	8	0	0	<b>901</b>
Depreciation written out to the Revaluation Reserve	2,084	2,369	0	0	0	20	0	<b>4,473</b>
Depreciation written out to Surplus / Deficit on the Provision of Services	8,042	134	0	0	0	0	0	<b>8,176</b>
Impairment losses / (reversals) recognised in the Revaluation Reserve	24,530	721	0	0	82	0	0	<b>25,333</b>
Impairment losses / (reversals) recognised in Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition - Disposals	65	720	0	0	0	0	0	<b>785</b>
Derecognition - Other	0	0	0	0	0	0	0	<b>0</b>
Eliminated on reclassification to Assets Held for Sale	0	0	0	0	0	0	0	<b>0</b>
Other movements in Depreciation and Impairment	0	0	0	0	0	0	136	<b>136</b>
<b>At 31 March 2011</b>	<b>(27)</b>	<b>(28,665)</b>	<b>(24,151)</b>	<b>(24,060)</b>	<b>(291)</b>	<b>(1,009)</b>	<b>0</b>	<b>(78,203)</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>1,741,817</b>	<b>505,201</b>	<b>18,052</b>	<b>109,521</b>	<b>24,172</b>	<b>54,947</b>	<b>26,632</b>	<b>2,480,342</b>
<b>At 31 March 2011</b>	<b>1,406,481</b>	<b>518,657</b>	<b>30,277</b>	<b>113,248</b>	<b>7,131</b>	<b>51,404</b>	<b>12,078</b>	<b>2,139,276</b>
Owned	1,406,481	502,320	23,190	99,503	7,131	51,404	12,078	<b>2,102,107</b>
Finance Lease	0	0	7,087	0	0	0	0	<b>7,087</b>
Service Concession Arrangement	0	16,337	0	13,745	0	0	0	<b>30,082</b>
	<b>1,406,481</b>	<b>518,657</b>	<b>30,277</b>	<b>113,248</b>	<b>7,131</b>	<b>51,404</b>	<b>12,078</b>	<b>2,139,276</b>

## 21b. Heritage Assets

### Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment.

### Reconciliation of the Carrying Value of Heritage Assets Held By the Authority

Heritage Assets	Historic Buildings £'000	Art Collection £'000	Memorials £'000	Total Assets £'000
<b>Cost or Valuation</b>				
<b>1 April 2010</b>	<b>0</b>	<b>354</b>	<b>0</b>	<b>354</b>
Additions	221	158	0	<b>379</b>
<b>31 March 2011</b>	<b>221</b>	<b>512</b>	<b>0</b>	<b>733</b>
<b>Cost or Valuation</b>				
<b>1 April 2011</b>	<b>221</b>	<b>512</b>	<b>0</b>	<b>733</b>
Additions	71	0	0	<b>71</b>
<b>31 March 2012</b>	<b>292</b>	<b>512</b>	<b>0</b>	<b>804</b>

- **Historic Buildings**

The Authority's historic building is reported in the Balance Sheet at cost. This value relates to a comprehensive programme of works required to renovate this historic building. The building was completely overhauled and specialist architects and contractors brought in.

- **Art Collection**

The art collection includes a granite sculpture and permanent oak sculptures and both are reported in the balance sheet at cost.

- **Memorials**

In the absence of any market for memorials the Council has opted to not to recognise these assets on the balance sheet.

In all of the above the Council is of the view that obtaining valuations for these assets would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the financial statements.

## Additions of Heritage Assets

Additions comprise:

	£'000
Restoration of Brixton Windmill began in October 2010. The windmill has been completely overhauled, with specialist architects and contractors employed to undertake much of the work. Specialists were involved in the reconstruction including Dannatt, Johnson Architects and specialist restorer Stonewest Ltd who have worked on high profile projects such as St Pauls Cathedral	71

## Heritage Assets: Further Information

Lambeth Council owns and maintains a number of memorials across the borough. The council also owns the Brixton Windmill and has recently procured artwork which is part of a wider package of environmental and regeneration improvements.

### Brixton Windmill

In 1816 the Vauxhall Bridge opened, improving access to Central London. In turn this led to a flurry of developments around Acre Lane including one of the oldest buildings in Brixton, The Brixton [Windmill](#). The windmill was built in 1816 by John Muggeridge and Sons – family builders involved in the development of Brixton in the first half of the 19th century.

The windmill is 15 metres (49.5 feet) high and is arranged over five storeys – a modest size compared with England's tallest tower mill at Moulton in Lincolnshire, which is nine storeys and 30 metres high. The base of Brixton Windmill is 6.6 metres (22 feet) in diameter and 3.65 metres (12 feet) at the top.

In 2007 a partnership agreement was established between the Council and the Friends of Windmill Gardens to oversee the restoration of Brixton Windmill and to develop a heritage education programme for the general public to enjoy.

In early 2008 Lambeth Council was awarded a Project Planning Grant from the Heritage Lottery Fund (HLF) to prepare a funding application to the HLF for restoration of the windmill. A joint funding bid between Lambeth Council and the Friends was submitted, and in 2010 the HLF awarded £397,700 towards the restoration of this unique building. This grant was combined with match funding from the Council and money raised by a local residents group.

Since being restored the Brixton Windmill has won the [Museums and Heritage Award for Excellence 2012 for Restoration/Conservation](#).

### Art Collection

**White Hart Dock** was a derelict space in Lambeth. It fills up with water twice a day, reaching almost a metre above Black Prince Road at spring tide, held back by the steel dock gates and grey retaining walls.

[Lambeth Arts](#) (London Borough of Lambeth) set in motion [a new story](#) for this derelict dock, based on historical activity on this strip of the South Bank, celebrating the original reasons for the dock itself (proximity to Royal Doulton, import and export, a threshold to the city), and focusing on contemporary eco-issues. Artists [Handspring Design](#) were selected to produce a permanent, site-specific intervention, using sustainable and durable English oak for a series of [sculptures](#) in the public realm. After a year in the making, the artwork was launched on 17th October 2009.

**Windrush Square** opened on 27 February 2010. It joins the existing Tate Gardens as a pedestrianised open space.

Works to the square are part of a wider regeneration programme which has seen the one-way system around St Matthew's Church removed and Brixton Hill widened to accommodate more two-way traffic.

The new square in the heart of Brixton includes a granite sculpture which provides a focal point for the town centre.

## Memorials

The Council owns a number of memorial structures throughout the borough and each year during memorial season e.g. Remembrance Day, Armistice/Veterans Day services are held to commemorate those who have fallen during historic wars and more recent conflicts.

Funds have recently been earmarked for the restoration of the borough's war memorials.

The memorials are between 50 and 90 years old; this will be their first significant renovation. The life of these memorials can reasonably be expected to be extended by another 50 to 90 years – particularly with the use of modern materials and techniques.

Details of restoration, renovation and improvement work carried out on six of the war memorials and their gardens can be found in the links below:

### ***Streatham War Memorial, Streatham Memorial Gardens***

<http://www.ukniwm.org.uk/server/show/conMemorial.2216/fromUkniwmSearch/1>

### ***Stockwell War Memorial***

<http://www.ukniwm.org.uk/server/show/conMemorial.2256/fromUkniwmSearch/1>

### ***Stockwell Green War Memorial (Mural)***

<http://www.ukniwm.org.uk/server/show/conMemorial.47898/fromUkniwmSearch/1>

### ***Violette Szabo and Stockwell Residents War Memorial (Mural)***

<http://www.ukniwm.org.uk/server/show/conMemorial.47897/fromUkniwmSearch/1>

### ***Kennington Park Civilian War Memorial***

<http://www.ukniwm.org.uk/server/show/conMemorial.56675/fromUkniwmSearch/1>

### ***Kennington Park War Memorial***

<http://www.ukniwm.org.uk/server/show/conMemorial.2813/fromUkniwmSearch/1>

## **Heritage Assets: Five year summary of transactions**

Heritage Assets	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
<b>Cost of Acquisitions of heritage assets</b>					
Historic Buildings	0	0	0	221	70
Art Collection	0	171	183	158	0
Memorials	0	0	0	0	0
<b>Total Cost of purchases</b>	<b>0</b>	<b>171</b>	<b>183</b>	<b>379</b>	<b>70</b>

## **21c. Investment Properties**

Lambeth has no investment properties.

## **21d. Intangible Assets**

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

	2011/12			2010/11		
	Internally Generated Assets £'000	Other Assets £'000	Total £'000	Internally Generated Assets £'000	Other Assets £'000	Total £'000
<b>Balance at start of year:</b>	<b>0</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>5,539</b>	<b>5,539</b>
· Gross carrying amounts	0	9,811	9,811	0	29,143	29,143
· Accumulated amortisation	0	(6,911)	(6,911)	0	(23,604)	(23,604)
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>2,900</b>	<b>2,900</b>	<b>0</b>	<b>5,539</b>	<b>5,539</b>
Additions:						
· Purchases	0	442	442	0	283	283
· Amortisation for the period	0	(2,023)	(2,023)	0	(2,922)	(2,922)
<b>Net carrying amount at end of year</b>	<b>0</b>	<b>1,319</b>	<b>1,319</b>	<b>0</b>	<b>2,900</b>	<b>2,900</b>
<b>Comprising:</b>						
· Gross carrying amounts	0	4,401	4,401	0	9,811	9,811
· Accumulated amortisation	0	(3,082)	(3,082)	0	(6,911)	(6,911)
	<b>0</b>	<b>1,319</b>	<b>1,319</b>	<b>0</b>	<b>2,900</b>	<b>2,900</b>

Other disposals in 2010/11 include £19m which relates to intangibles that have been fully amortised.

## 21e. Rolling Revaluation

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).

All the Council's property assets are valued on a five yearly cycle. Assets managed by each of the four holding departments are valued at least once within the five year period. The last full valuation was carried out on the 1 April 2011 by Lambert Smith Hampton Chartered Surveyors and covered Council dwellings and properties from which customer services and support services are delivered. There was an additional desktop exercise conducted as at 31 March 2012 which was required in order to ensure that valuations kept pace with any material changes in fair value.

This note shows the progress of the Council's rolling programme for the revaluation of non current assets. The valuations, including Council Dwelling Stock, are carried out by Lambert Smith Hampton who are surveyors external to the Council. The basis for valuation is set out in the statement of accounting policies.

For each class of fixed asset included in the Balance Sheet at current value the impact of the rolling programme of revaluation of non current assets is as follows:

	Council dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Sub-total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at historical cost</b>	0	147	28,539	114,447	2,384	<b>145,517</b>
<b>Valued at current value</b>						
As at 31st March 2012	1,359,499	317,826	0	0	882	<b>1,678,207</b>
As at 1st April 2011	442	55,622	0	0	0	<b>56,064</b>
As at 31st March 2011*	0	101	0	0	0	<b>101</b>
As at 1st April 2010	0	24,060	0	0	2,636	<b>26,696</b>
As at 1st April 2009	454	27,522	0	0	0	<b>27,976</b>
As at 1st April 2008	105	28,089	0	0	1,580	<b>29,774</b>
<b>Total Cost or Valuation</b>	<b>1,360,500</b>	<b>453,367</b>	<b>28,539</b>	<b>114,447</b>	<b>7,482</b>	<b>1,964,335</b>

	Heritage Assets	Surplus Assets	Assets held for sale	Assets under construction	Intangible assets	Sub-total	GRAND TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Valued at historical cost</b>	803	0	0	52,917	1,320	<b>55,040</b>	<b>200,557</b>
<b>Valued at current value</b>							
As at 31st March 2012	0	30,410	0	0	0	<b>30,410</b>	<b>1,708,617</b>
As at 1st April 2011	0	482	3,501	0	0	<b>3,983</b>	<b>60,047</b>
As at 31st March 2011	0	770	0	0	0	<b>770</b>	<b>871</b>
As at 1st April 2010	0	0	0	0	0	<b>0</b>	<b>26,696</b>
As at 1st April 2009	0	5,475	0	0	0	<b>5,475</b>	<b>33,451</b>
As at 1st April 2008	0	0	0	0	0	<b>0</b>	<b>29,774</b>
<b>Total Cost or Valuation</b>	<b>803</b>	<b>37,137</b>	<b>3,501</b>	<b>52,917</b>	<b>1,320</b>	<b>95,678</b>	<b>2,060,013</b>



## 21f. Capital Expenditure and Capital Financing

	2011/12	2010/11
	£'000	£'000

### Capital investment

Intangible Assets	442	283
Tangible Assets (excluding PFI)	97,546	71,839
Revenue Expenditure Funded From Capital Under Statute	14,663	19,055
PFI assets on balance sheet	1,917	2,785
PFI Lifecycle costs	0	147
	<b>114,568</b>	<b>94,109</b>

### Sources of finance

Government grants	(50,110)	(33,375)
Capital receipts	(17,618)	(25,409)
Developers' contribution	(4,790)	(1,587)
Major Repairs Reserve (MRR)	(21,013)	(8,336)
Direct revenue financing	(93)	(784)
Direct revenue financing PFI	0	(147)
Reserves	(8,347)	0
PFI & IFRIC 12 Credit Arrangements	(1,917)	(2,393)
Borrowing	(10,679)	(22,078)
	<b>(114,567)</b>	<b>(94,109)</b>

<b>Opening Capital Financing Requirement</b>	<b>728,492</b>	<b>714,041</b>
Capital Investment	114,568	94,109
Sources of Finance (excludes supported borrowing)	(101,971)	(69,638)
Minimum Revenue Provision (Non PFI)	(11,373)	(9,529)
Minimum Revenue Provision (PFI)	(3,497)	(3,007)
Adjustments	(52)	(57)
HRA Self Financing	(165,210)	0
Overhanging debt repayment	(22,500)	0
Commutation adjustment	2,110	2,573
<b>Closing Capital Financing Requirement</b>	<b>540,567</b>	<b>728,492</b>

## 21g. Impairment Losses

During 2011/12, the Authority recognised an impairment loss of £46.7m in relation to the WATMOS LSVT (Large Scale Voluntary Transfer).

The Council undertook one LSVT during 2011-12 comprising 959 tenanted units and 349 leasehold units from 3 estates (Thorlands, Ethelred and Magdalen) following a resolution of the council and ballot of the tenants.

The valuation of the dwellings was amended to reflect the Tenanted Market Value expected to be received at the time of the transfer. This was calculated at £0 which reflects the work required to bring the stock up to an acceptable standard. As a result the dwellings were transferred at nil consideration.

On 30 March 12 the council affected the transfer to WATMOS (Walsall Association of Tenant Management Organisations)

Following the valuation and subsequent transfer an impairment loss of £43.1m was charged to the HRA (Housing Revenue Account) Comprehensive Income and Expenditure Statement and £3.6m was charged to the Revaluation Reserve to reflect this valuation.

## 21h. Capital Commitments

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Housing, Regeneration and Environment	2,955	13,188	8,351
Adults' and Community Services	2,476	0	861
Children and Young People's Services	48,570	22,331	40,892
Finance Resources and Office of the Chief Executive	800	0	291
<b>Total</b>	<b>54,801</b>	<b>35,519</b>	<b>50,395</b>

As at 31 March 2012, the authority has entered into a number of contracts for the construction or Property, Plant and Equipment in 2012/13 and future years budgeted to cost £54.8m. Similar commitments as at 31 March 2011 were £35.5m. The major commitments are:

- Housing Revenue Accounts Projects – £ 1.7m
- Regeneration Projects – £ 1.2m
- Building Schools For the Future Projects – £11.9m
- Schools Capital Programme – £36.7m
- I.T.Project – £ 0.8m
- Adults' & Community Services Projects – £ 2.5m

## 22. Assets Held for Sale

	Current		Non-Current	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:				
· Property, Plant and Equipment	51,624	975	0	0
· Intangible Assets	0	0	0	0
· Other assets/liabilities in disposal groups	0	0	0	0
Revaluation gains / (losses)	0	0	0	0
Impairment losses	(46,711)	0	0	0
Assets declassified as held for sale:				
· Property, Plant and Equipment	0	0	0	0
· Intangible Assets	0	0	0	0
· Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	(1,412)	(1,127)	0	0
Transfers from non current to current	0	0	0	0
Other movements	0	0	0	0
<b>Balance outstanding at year-end</b>	<b>3,501</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 23. Inventories

The Council holds no inventories as at 31 March 2012. Inventories held at 31 March 2010 and 2011 are immaterial.

## 24. Construction Contracts

The Council holds no construction contracts.

## 25. Long-Term Debtors

Mortgage loans are loans given to individuals, including those exercising their right to buy their council house and to Housing Associations to help them purchase housing property. Loans outstanding were as follows:

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Mortgages			
Right to buy	83	113	171
Housing Associations	1	226	231
Other	0	0	0
Long-term leases	413	415	417
	<b>497</b>	<b>754</b>	<b>819</b>

## 26. Financial Instruments

	Note	Non-Current			Current		
		31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
		£'000	£'000	£'000	£'000	£'000	£'000
Bank overdraft		0	0	0	(69,077)	(54,025)	(49,470)
Rents	29b	0	0	0	(5,418)	(5,631)	(5,892)
Right to buy service Charges	29b	0	0	0	(2,016)	(2,005)	(1,079)
Other payables	29b	0	0	0	(100,692)	(80,393)	(99,915)
Short-term borrowing - PWLB and IFRIC 12		0	0	0	(10,364)	(13,498)	(21,860)
Long-term borrowing – PWLB		(435,217)	(600,427)	(600,357)	0	0	0
Long-term creditors – IFRIC12		(23,856)	(24,994)	(26,097)	0	0	0
<b>Total Financial Liabilities at Amortised Cost</b>		<b>(459,073)</b>	<b>(625,421)</b>	<b>(626,454)</b>	<b>(187,567)</b>	<b>(155,552)</b>	<b>(178,216)</b>
Rents	27b	0	0	0	8,561	10,096	14,235
Right to buy service Charges	27b	0	0	0	2,240	3,522	2,703
s20 works	27b	0	0	0	10,137	9,091	7,903
Other receivables		0	0	0	65,924	31,041	34,562
Pension Fund	27b	0	0	0	22,780	21,429	18,959
Long-term Debtors		498	754	820	0	0	0
Investments		19,483	17,895	10,005	139,222	93,646	67,033
<b>Total Loans and Receivables</b>		<b>19,981</b>	<b>18,649</b>	<b>10,825</b>	<b>248,864</b>	<b>168,825</b>	<b>145,395</b>

The balance on the current category of financial liabilities consists of certain elements only of creditors. The reason for exclusions is that many sections of creditors relate to statutory functions, not contractual arrangements and therefore do not meet the definition of a financial instrument.

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and certain elements of debtors. The short-term investments amount to £139.2m at 31 March 2012 and £93.6m at 31 March 2011.

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

## 26a. Reconciliation of Allowance for Credit Account (Provision for doubtful debts)

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders	Rent Debtors	Sundry Debtors	RTB Service charges	Parking Debtors	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2011	(3,587)	(17,730)	(5,940)	0	(9,497)	(36,754)
Write-offs	914	3,015	690	52	11,269	15,939
Set up	(166)	(2,535)	(2,663)	(1,291)	(10,031)	(16,687)
<b>Balance as at 31 March 2012</b>	<b>(2,840)</b>	<b>(17,250)</b>	<b>(7,913)</b>	<b>(1,239)</b>	<b>(8,259)</b>	<b>(37,501)</b>

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders	Rent Debtors	Sundry Debtors	RTB Service charges	Parking Debtors	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2010	(4,604)	(16,626)	(4,164)	(1,399)	(15,166)	(41,959)
Write-offs	3,358	4,703	830	1	12,473	21,365
Set up	(2,341)	(5,807)	(2,606)	1,398	(6,804)	(16,160)
<b>Balance as at 31 March 2011</b>	<b>(3,587)</b>	<b>(17,730)</b>	<b>(5,940)</b>	<b>0</b>	<b>(9,497)</b>	<b>(36,754)</b>

In impairing the assets above the age of the debts has been taken into account. An ageing analysis is disclosed on page 96 in note 26d to the Balance Sheet.

The Council has no financial assets of significance that are past due but not impaired and neither does it hold assets that have credit enhancements.

For further details of gross amounts held under debtors and creditors, and the corresponding provisions for bad debt, please refer to notes 27 and 29. These notes provide a more comprehensive picture as they include all debtor and creditor amounts irrespective of whether they are due to contractual or statutory activities.

## 26b. Income, Expense, Gains and Losses

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

	31 March 2012	31 March 2011
	£'000	£'000
Interest Receivable	(3,749)	(2,959)
Interest Payable	37,467	38,433
Impairment Loss	16,687	16,160
Premia payable on early repayment of debt	89,051	0
	<b>139,456</b>	<b>51,634</b>

## 26c. Fair Values of Assets and Liabilities

Financial liabilities and financial assets, represented by loans and receivables and long-term debtors and creditors, are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- 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 approximate to fair value.
- Estimated ranges of interest rates at 31 March 2012 are based on the premature repayment set of rates advised by PWLB.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2011		31 March 2010	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets – Long-term Investments</b>	<b>19,483</b>	<b>19,665</b>	17,895	17,924	10,005	11,970
<b>Financial liabilities – PWLB debt</b>	<b>(435,217)</b>	<b>(649,786)</b>	(600,427)	(766,419)	(600,357)	(752,947)

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.

## 26d. Nature and Extent of Risks Arising from Financial Instruments

- The London Borough of Lambeth has adopted a strategic and balanced summary of the most significant risks and management arrangements in relation to financial instruments. This is consistent with the Council's treasury management strategy, treasury management practices and the prudential indicators for treasury management. The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice*. 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 Council has ensured that the effective management and control of risk are the prime objectives of its treasury management activities and responsibility for these lies clearly within the organisation.

### 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 A-, with £20m of the total amount invested deposited in the highest rated category.
- 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, and these are 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, and a range of counterparties that operate in different sectors in the UK and European economies is used to spread risk, except for the Council's main bank (NatWest).

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 2012 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.

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.

<b>Deposits with banks and financial institutions</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2010 £'000</b>
Investments with Banks	<b>101,717</b>	71,390	99,130
Investments with Building Societies	<b>93,000</b>	73,520	42,607

- 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.

The tables below give details of the credit quality of financial assets that are neither past due nor impaired.

<b>2011/12</b>	<b>AA or equivalent £'000</b>	<b>Rated not strong £'000</b>	<b>Total £'000</b>
Cash and cash equivalents – excluding bank	46,291	0	46,291
Loans and receivables – excluding accrued interest - carried at amortised cost	96,500	60,000	156,500
<b>Total</b>	<b>142,791</b>	<b>60,000</b>	<b>202,791</b>

<b>2010/11</b>	<b>AA or equivalent £'000</b>	<b>Rated not strong £'000</b>	<b>Total £'000</b>
Cash and cash equivalents	36,410	0	36,410
Loans and receivables carried at amortised cost	35,000	73,500	108,500
<b>Total</b>	<b>71,410</b>	<b>73,500</b>	<b>144,910</b>

The Council manages its credit risk on customers by performing credit checks prior to conducting business. In some cases charges are placed on property and applications made to the courts for bank accounts to be frozen.

The tables overleaf provide an 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)	Rents*	S20 lease-holders	Sundry debt	RTB service charges*	Pension fund	Total
2011/12	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	6,487	4122	8,490	1179	0	20,278
Over 1 year	1,916	1,093	2,437	1,061	0	6,507
<b>Total as at 31 March 2012</b>	<b>8,404</b>	<b>5,214</b>	<b>10,927</b>	<b>2,240</b>	<b>0</b>	<b>26,785</b>

Aged Analysis of Financial Assets (excl Investments)	Rents*	S20 lease-holders	Sundry debt	RTB service charges*	Pension fund	Total
2010/11	£'000	£'000	£'000	£'000	£'000	£'000
Less than 1 year	7,702	0	6,906	949	0	15,557
Over 1 year	1,970	2,925	3,900	2,573	0	11,368
<b>Total as at 31 March 2011</b>	<b>9,672</b>	<b>2,925</b>	<b>10,806</b>	<b>3,522</b>	<b>0</b>	<b>26,925</b>

\* 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, the Council has access to instant cash accounts with its banks and ready access to borrowing from the PWLB. There is no risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council has been able to meet its day to day commitments as they fall due. The Council has had no need to raise funding from PWLB in the last 5 years.

Analysis by Maturity	31 March 2012 Book Value £'000	31 March 2011 Book Value £'000
Maturing between 1 and 10 years	11,661	16,088
Maturing between 10 and 20 years	91,064	125,633
Maturing between 20 and 30 years	49,833	68,749
Maturing between 30 and 40 years	67,601	74,610
Maturing in more than 40 years.	215,057	315,346
	<b>435,216</b>	<b>600,426</b>

#### Market risk

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

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 2012 a 1% change in interest rates would change the interest receivable by £0.4m.



## 27a. Short –Term Debtors by category of counterparty

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Central government bodies	45,576	6,360	7,190
Other local authorities	6,859	4,496	4,566
Public corporations and trading funds	448	8,666	7,950
National Health Service bodies	1,160	4,804	6,872
Other entities and individuals	81,129	74,752	81,616
<b>Total</b>	<b>135,172</b>	<b>99,078</b>	<b>108,194</b>

## 27b. Short –Term Debtors by type

	31 March 2012		31 March 2011		31 March 2010	
	£'000	£'000	£'000	£'000	£'000	£'000
Government grants		36,675		5,513		2,914
Rents (HRA and non-HRA)	25,812		27,826		30,861	
Provision for bad debts	(17,251)		(17,730)		(16,626)	
		8,561		10,096		14,235
Right to buy service charges	3,480		3,522		4,102	
Provision for bad debts	(1,239)		0		(1,399)	
		2,241		3,522		2,703
Housing Benefit Overpayment	17,161		16,222		16,776	
Provision for bad debts	(10,674)		(10,517)		(10,998)	
		6,487		5,705		5,778
Council Taxpayers	25,640		30,264		32,591	
Provision for bad debts	(20,789)		(25,484)		(28,047)	
		4,851		4,780		4,544
Council Tax Court Costs	6,730		7,282		7,638	
Provision for bad debts	(5,336)		(5,910)		(6,291)	
		1,394		1,372		1,347
Sundry debtors	32,544		27,310		28,355	
Provision for bad debts	(7,914)		(5,940)		(4,164)	
		24,630		21,370		24,191
Section 20 works	12,976		12,678		12,507	
Provision for bad debts	(2,839)		(3,587)		(4,604)	
		10,137		9,091		7,903
Parking debtors	11,248		12,465		17,833	
Provision for bad debts	(8,259)		(9,497)		(15,166)	
		2,989		2,968		2,667
Bankruptcy	527		537		0	
Provision for bad debts	(418)		(436)		0	
		109		101		0
HMRC		8,620		8,118		7,265
Central Government Debtor (NNDR)		0		1,217		4,191
Payments in advance		4,068		2,604		6,707
Amounts due from Lambeth Living		8		291		3,261
Community Charge		0		2		
Other		1,622		899		1,529
Pension Fund		22,780		21,429		18,959
<b>TOTAL</b>		<b>135,172</b>		<b>99,078</b>		<b>108,194</b>

## 28. Cash and Cash Equivalents

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

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Cash held by the Authority	17	32	37
Bank current accounts in current assets	49,997	52,130	51,913
Short-term deposits with building societies	46,290	36,410	66,738
<b>Held within Current Assets</b>	<b>96,304</b>	<b>88,572</b>	<b>118,688</b>
Bank overdrafts (Held within current liabilities)	(69,077)	(54,025)	(49,470)
<b>Total Cash and Cash Equivalents</b>	<b>27,227</b>	<b>34,547</b>	<b>69,218</b>

## 29a. Short-Term Creditors by category of counterparty

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Central government bodies*	(25,688)	(15,459)	(9,789)
Other local authorities	(7,775)	(7,198)	(8,567)
National Health Service bodies	(6,568)	(1,130)	(2,267)
Public corporations and trading funds	(18,247)	(12,671)	(6,104)
Other entities and individuals	(94,455)	(82,510)	(109,149)
<b>Total</b>	<b>(152,733)</b>	<b>(118,968)</b>	<b>(135,876)</b>

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

## 29b. Short-Term Creditors by type

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Grants*	(12,555)	(14,124)	(9,677)
Rents	(5,418)	(5,631)	(5,892)
Right to buy service charges	(2,016)	(2,005)	(1,079)
Central Government Creditor (NNDR)	(8,108)	0	0
Amount owed by LBL to preceptor (GLA)	(3,615)	(3,886)	(1,847)
Council Taxpayers	(3,222)	(5,342)	(8,645)
Sundry creditors	(98,425)	(74,433)	(95,228)
Pooled capital receipts due to CLG	(709)	(372)	(290)
PAYE/NI	(5,928)	(6,384)	(5,998)
Receipts in advance	(10,246)	(4,525)	(5,577)
Other	(2,267)	(2,102)	(1,363)
<b>Sub-Total</b>	<b>(152,509)</b>	<b>(118,804)</b>	<b>(135,596)</b>
Trust Funds	(224)	(164)	(280)
<b>Grand Total</b>	<b>(152,733)</b>	<b>(118,968)</b>	<b>(135,876)</b>

\* Government grants have been included although they appear on a separate line on the face of the Balance Sheet. Further details are in note 29c below.

The sundry creditors figures include accruals in respect of Accumulated Absences. These are statutory and reflect a requirement under the interpretation of "IAS 19 Employee benefits" as it applies to local government, to reflect each year the likely charge to the accounts for the accrual of time off or wages owed to staff due to timing differences. Further information on the implications of IAS 19 can be found in note 43g to the Movement in Reserves Statement and the accounting policy on that issue.

## 29c. Revenue Grants Receipts in Advance

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
<b>Government Grants</b>			
Housing Subsidy (Housing Act 1989)	0	(4,246)	(146)
Dedicated Schools Grant	(5,511)	(574)	(1,148)
DoH Social Care Reform	(1,391)	(1,391)	(835)
Housing and Council Tax Benefit	(3,485)	(1,058)	(2,052)
Standard Funds	0	(3,858)	(3,324)
Diploma Formula Grant	0	(842)	(503)
Connected Learning -PFI	0	0	(33)
Clapham Park New Deal for Communities (NDC)	0	0	(293)
Places of Change	0	(707)	0
HB Administration 11/12	0	(40)	0
Childcare Affordability	0	0	(148)
Employee Authentication Service (EAS)	0	(1)	0
Future Jobs Fund	0	0	(350)
Pupil Premium	(90)	0	0
Young Parents To Be	(5)	(14)	0
Atlas	0	(33)	0
Children Play Areas	0	(52)	(24)
PE & Sport Strategy for Young People	0	(8)	0
Active Women Grant	(5)	0	0
Targeted Mental Health in Schools (TMHS) Grant	0	(1)	0
The London Waste and Recycling Board (LWARB) Grant	(17)	0	0
Discretionary Housing Payment	(101)	0	0
Adult Stroke Services	(82)	(180)	(180)
DoH Dementia Site Programme Grant	0	(26)	0
Learning Disability Campus Closure	0	0	(63)
Extra Pothole Repair Funding	0	(177)	0
Mast Incentive Grant	0	(4)	0
Newly Qualified Social Workers Pilot	(75)	(57)	0
Social Care Apprenticeship Scheme	(111)	(127)	0
Adult Social Care LGA/ASCE Grant Programme	(20)	0	0
Local Housing Allowance (LHA) Transition Fund	(392)	0	0
In Harmony Lambeth	(105)	0	0
Consortium Support Grant	0	(89)	(54)
Fifth Wave Neighbourhood Planning Front Runners	(20)	0	0
Learner Support Fund	0	(10)	0
Learning and Skills (LSC) - Adult & Community Learning	(320)	(235)	(317)
Young People's Learning Agency (YPLA) (LSC) 6th Form Grant	(40)	0	0
Waste and Resources Action Programme (WRAP) Food Waste Grant	0	(7)	0
Metropolitan Police Authority (MPA) Cross Borders	(4)	(10)	0
Brew	0	(2)	(17)
School Milk	0	(1)	0
Youth Justice Grant	(2)	0	0

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
National College for School Leadership (NCSL) Succession Planning	0	(5)	0
Skills for Jobs	0	(3)	(44)
Transport for London (TfL) Good Going Revenue Grant	(35)	0	0
Young Apprenticeship Scheme - Cohort 6	(30)	(28)	0
Training and Development Agency	(5)	0	0
Department for Transport	0	0	(7)
Travel Pathfinders	0	(14)	0
Family Learning Champions Project	(41)	0	0
Youth Justice Board (YJB) Preventing Violent Extremism	0	(2)	0
Youth Justice Board (YJB) Effective Practice Support	0	(2)	0
Youth Opportunity Funds	0	(83)	0
<b>Government Grants Subtotal</b>	<b>(11,886)</b>	<b>(13,887)</b>	<b>(9,538)</b>
<b>Non-Government Grants</b>			
Brockwell Park	(2)	0	0
Black Cultural Archives	(4)	0	0
Free Swimming	0	(160)	(139)
Myatt's Field Project	0	(22)	0
Lambeth Green and Sustainable Communities Project	(5)	0	0
Brixton Windmill - Heritage Lottery Fund (HLF)	(1)	0	0
Children's Workforce Development Council (CWDC) and Newly Qualified Social Workers (NQSW) Grant	(658)	0	0
CWDC Integrated Workforce Reform	0	(45)	0
CWDC Voluntary Sector Engagement	0	(12)	0
<b>Non-Government Grants Subtotal</b>	<b>(670)</b>	<b>(239)</b>	<b>(139)</b>
<b>Total Revenue Grant Receipts in Advance</b>	<b>(12,555)</b>	<b>(14,126)</b>	<b>(9,677)</b>

### 30. 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:

CURRENT LIABILITIES	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Transport for London	(45)	0	(246)
s106 developers' contribution	(5,940)	(4,983)	(1,351)
European Social Fund	0	0	0
Standard Fund	(16,391)	(13,753)	0
Other Grant	(997)	(91)	(1,006)
	<b>(23,373)</b>	<b>(18,827)</b>	<b>(2,603)</b>

<b>NON-CURRENT LIABILITIES</b>	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
s106 developers' contribution	(9,461)	(10,929)	(14,135)
European Social Fund	0	0	0
Standard Fund	(1,070)	(16,131)	(855)
Other Grant	(428)	(311)	(1,509)
	<b>(10,959)</b>	<b>(27,371)</b>	<b>(16,499)</b>
<b>Total Capital Grants Receipts in Advance</b>	<b>(34,332)</b>	<b>(46,198)</b>	<b>(19,102)</b>

### 31. 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 2011/12 are as follows:

	<b>Central Expenditure £'000</b>	<b>Individual Schools' Budget £'000</b>	<b>Total £'000</b>
Underspend brought forward from 2010/11	(459)	(115)	(574)
Original grant allocation to Schools Budget for current year in the authority's budget	(36,701)	(179,124)	(215,825)
DSG available for the year	(37,160)	(179,239)	(216,399)
Actual expenditure for the year	27,247	177,512	204,759
<b>Underspend carried forward to 2012/13</b>	<b>(9,913)</b>	<b>(1,727)</b>	<b>(11,640)</b>

### 32. Leases

#### Authority as Lessee

##### *Finance Leases*

The Council has acquired one of its administrative buildings under a finance lease. The value of the building had previously been carried as Property Plant and Equipment in the Councils balance sheet. The lease term for this property is 120 years and the Council the land is therefore recorded on to the balance sheet.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Other Land and Buildings	392	392	392
Vehicles, Plant, Furniture and Equipment	0	0	0
	<b>392</b>	<b>392</b>	<b>392</b>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2011/12	2010/11	2009/10
	£'000	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):			
· current <sup>1</sup>	0	0	0
· non current	385	385	386
Finance costs payable in future years	1,175	1,195	1,214
<b>Minimum lease payments</b>	<b>1,560</b>	<b>1,580</b>	<b>1,600</b>

<sup>1</sup>Note: Current amounts are less than £1k so the line does not show a value.

The minimum lease payments will be made over the following periods:

	Minimum Lease Payments			Finance Lease Liabilities		
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	0	0	0	20	20	20
Later than one year and not later than five years	2	2	2	78	78	78
Later than five years	383	383	384	1,077	1,097	1,116
	<b>385</b>	<b>385</b>	<b>386</b>	<b>1,175</b>	<b>1,195</b>	<b>1,214</b>

In 2011/12 £118,000 of contingent rents was payable by the Authority and recognised as an expense.

#### *Operating Leases*

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

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Not later than one year	4,303	4,309	4,398
Later than one year and not later than five years	15,460	16,647	16,485
Later than five years	26,890	29,054	26,186
	<b>46,653</b>	<b>50,010</b>	<b>47,069</b>

The leases relate to land and buildings and vehicles, plant and equipment and are charged to their relevant service line in the Comprehensive Income & Expenditure Statement. The lease payments recognised as an expense in 2011/12 total £4,303,066 (£4,308,666 in 2010/2011).

#### Authority as Lessor

##### *Finance Leases*

The Council has leased out properties within the borough on a finance lease. (Brixton Enterprise Centre; Gothic Lodge; Hurley Clinic and The Cut) The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Finance lease debtor (net present value of minimum lease payments):			
· current	30	30	30
· non current	2,410	2,441	2,470
Unearned finance income	0	0	0
Unguaranteed residual value of property	0	0	0

Gross investment in the lease

	2,440	2,471	2,500
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The gross investment in the lease and the minimum lease payments will be received over the following periods:  
:

	Gross Investment in the Lease			Minimum Lease Payments		
	31 March	31 March	31 March	31 March	31 March	31 March
	2012	2011	2010	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Not later than one year	30	30	30	30	30	30
Later than one year and not later than five years	118	119	119	118	119	119
Later than five years	2,292	2,322	2,337	2,292	2,322	2,351
	2,440	2,471	2,486	2,440	2,471	2,500

### Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
Not later than one year	4,077	4,440	3,872
Later than one year and not later than five years	8,028	9,419	9,164
Later than five years	10,091	12,001	15,598
	22,196	25,860	28,634

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £657,256 contingent rents were receivable by the Authority and recognised as income.

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

(i) See Balance Sheet note 21 for the value of assets held under PFI and similar contracts at each balance sheet date, and an analysis of the movement in those values

(ii) 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 Management £'000	Total £'000	Finance Lease £'000	Total £'000
<b>Opening Balance at 1 April 2010</b>	<b>(11,876)</b>	<b>(12,346)</b>	<b>(2,408)</b>	<b>(1,223)</b>	<b>(862)</b>	<b>(28,715)</b>	<b>(386)</b>	<b>(29,101)</b>
Liability in year	0	0	0	0	(2,393)	(2,393)	0	(2,393)
Payments in year	284	608	602	430	1,080	3,004	0	3,004
<b>Closing Liability at 31 March 2011</b>	<b>(11,592)</b>	<b>(11,738)</b>	<b>(1,806)</b>	<b>(792)</b>	<b>(2,176)</b>	<b>(28,104)</b>	<b>(386)</b>	<b>(28,490)</b>
<b>Opening Balance at 1 April 2011</b>	<b>(11,592)</b>	<b>(11,738)</b>	<b>(1,806)</b>	<b>(792)</b>	<b>(2,176)</b>	<b>(28,104)</b>	<b>(386)</b>	<b>(28,490)</b>
Liability in year	0	0	(31)	0	(1,886)	(1,917)	0	(1,917)
Payments in year	282	571	727	569	1,348	3,497	0	3,497
<b>Closing Liability at 31 March 2012</b>	<b>(11,310)</b>	<b>(11,167)</b>	<b>(1,110)</b>	<b>(223)</b>	<b>(2,714)</b>	<b>(26,524)</b>	<b>(386)</b>	<b>(26,910)</b>

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

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

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



	Lilian Baylis				Lambeth Lighting				Connected Learning			
	2011/12	2011/12	2011/12	Total	2011/12	2011/12	2011/12	Total	2011/12	2011/12	2011/12	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service		Liability	Interest	Service	
Within 1 year	266	1,455	912	<b>2,633</b>	585	932	1,113	<b>2,630</b>	859	232	1,202	<b>2,293</b>
Within 2-5 years	1,155	5,950	4,101	<b>11,206</b>	2,391	3,287	4,848	<b>10,526</b>	251	39	485	<b>775</b>
Within 6-10 years	2,536	7,689	5,433	<b>15,658</b>	3,100	3,080	6,997	<b>13,177</b>	0	0	0	<b>0</b>
Within 11-15 years	3,666	7,256	6,793	<b>17,715</b>	3,087	1,765	8,353	<b>13,205</b>	0	0	0	<b>0</b>
Within 16-20 years	3,687	4,253	3,787	<b>11,727</b>	2,004	425	7,279	<b>9,708</b>	0	0	0	<b>0</b>
Within 21-25 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	0	0	0	<b>0</b>
<b>Total</b>	11,310	26,603	21,026	<b>58,939</b>	11,167	9,489	28,590	<b>49,246</b>	1,110	271	1,687	<b>3,068</b>

	Home to School				Waste Management				Finance Lease		
	2011/12	2011/12	2011/12	Total	2011/12	2011/12	2011/12	Total	2011/12	2011/12	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	Liability	Interest	Service		Liability	Interest	Service		Liability	Interest	
Within 1 year	223	63	592	<b>878</b>	1,122	1114	16,344	<b>18,580</b>	0	138	<b>138</b>
Within 2-5 years	0	0	0	<b>0</b>	1592	700	16753	<b>19,045</b>	2	964	<b>966</b>
Within 6-10 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	3	1,377	<b>1380</b>
Within 11-15 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	4	1,376	<b>1380</b>
Within 16-20 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	4	1,375	<b>1379</b>
Within 21-25 years	0	0	0	<b>0</b>	0	0	0	<b>0</b>	373	15,912	<b>16285</b>
<b>Total</b>	223	63	592	<b>878</b>	2,714	1,814	33,097	<b>37,625</b>	386	21,142	<b>21,528</b>

### 34. Provisions

Description	Balance at 31 March 2010	Additional provision	Utilised	Released	Balance at 31 March 2011	Additional provision	Utilised	Released	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing Care	(582)	0	0	232	(350)	0	0	350	0
Contract disputes	(1,375)	(227)	500	216	(886)	0	0	0	(886)
CRC Provision	0	0	0	0	0	(324)	0	0	(324)
Dilapidations	(200)	0	0	0	(200)	(2,640)	0	0	(2,840)
Insurance fund GF	(7,016)	0	1,797	1,478	(3,741)	(4,077)	1,528	0	(6,290)
Lakanal Enquiry	0	0	0	0	0	(500)	0	0	(500)
Planning appeals	(606)	0	263	193	(150)	0	6	0	(144)
Single status	(390)	0	0	0	(390)	0	48	0	(342)
Tenant management organisations	(845)	0	767	78	0	0	0	0	0
<b>Sub-Total GF Provisions</b>	<b>(11,014)</b>	<b>(227)</b>	<b>3,327</b>	<b>2,197</b>	<b>(5,717)</b>	<b>(7,541)</b>	<b>1,582</b>	<b>350</b>	<b>(11,326)</b>
Insurance fund HRA	(3,267)	0	700	807	(1,760)	(3,138)	698	0	(4,200)
<b>Total Council Provisions</b>	<b>(14,281)</b>	<b>(227)</b>	<b>4,027</b>	<b>3,004</b>	<b>(7,477)</b>	<b>(10,679)</b>	<b>2,280</b>	<b>350</b>	<b>(15,526)</b>

The purpose of each provision is set out below:

- The **Continuing Care** provision covered two related issues: the need to reimburse clients who may have been charged incorrectly since new legislation came into effect on 1 October 2007; and potential liability for claims arising before that date relating to the failure to make appropriate assessments of care needs. No claims were made against the Council in 2010/11, nor in 2011/12 in respect of this provision. As a result, this provision has been released.
- **Contract disputes** – An assessment of the potential liability has been made in each of the cases brought forward from 2010/11 – it has been decided that the brought forward provisions should be retained at their brought forward level.
- **CRC** – There is an obligation on Lambeth under the Carbon Reduction Commitment to purchase and surrender Carbon allowances in June-July 2012 for carbon emissions during the period April 2011 - March 2012. The final purchase figure will not be known until late June once energy readings are complete but the provision represents an estimate of the final cost to Lambeth of the allowances.
- **Dilapidations** — for likely charges in respect of the termination clauses on specific properties leased by the Council.
- The **Insurance Fund** provision holds the balance set aside for potential liabilities in respect of insurable items for which the Council has elected to self-insure and for payments that fall within the insurance excesses. The actuarial review of insurance provisions is carried out annually using an actuarial forecasting approach which is designed to review the appropriateness of the provisions and reserves for the Council's self-insured claims as at the date of the valuation. This valuation takes into account all known and outstanding (unpaid) claims received from 1998 to date, and also makes a calculation for any incurred but not reported claims (IBNR) and contingent liability in respect of MMI clawback.

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

To limit its exposure on self-insured risks in any set period, the Council has in place policy deductibles and 'stop loss' limits on its insurance policies. For property insurance the current protection limits are £500k on each individual claim (the Council only pays the first £500k on any claim regardless of its value) with a stop loss of £1.5m in any 12-month period across all property claims, meaning that the maximum exposure to the Insurance Fund in respect of property losses will never be more than £1.5m within a 12-month period. For liability claims, the Council pays only the first £150k of each claim with a stop loss of £6m for all liability claims within a policy year period. However, as previously noted, liability claims are of a 'long tail' nature and payments made are therefore spread over many years. There is also a combined aggregate stop loss across both liability and property of £6.7m for any policy year period.

In 2011/12 a total of £5.8m was appropriated from the insurance reserves to the insurance provisions to cover claims for mesothelioma as a result of asbestos exposure, in accordance with the Supreme Court judgement of March 2012. This was split between the General Fund and the HRA in the ratio 60%/40%.

Over the past 10 years, the average payments made from the Insurance Fund have been £2.6m per annum, with the maximum paid from the Fund in any one financial year being £4.1m over this period. Annual General Fund and HRA contributions into the Insurance Fund are also made which have the effect of maintaining the Fund at a reasonable level and avoiding depletion of the Fund over a period of time.

For 2011/12 provision has been made for the assessment in respect of public and employer liability following careful scrutiny by officers of the recommended level of provision in the actuarial assessment.

- **Lakanal Enquiry** – A fire occurred in July 2009 at Lakanal House in the London Borough of Southwark resulting in a number of fatalities. A full inquest is expected to take place starting in January 2013 and last approximately 3 months. The charges for the Coroners' Service for the Inner South London Coroner's District are apportioned between the London Boroughs of Southwark, Greenwich, Lambeth and Lewisham on the basis of population. The provision represents the cost to Lambeth of the enquiry as estimated by Lambeth's Director of Governance and Democracy.
- **Planning appeals** – likely legal costs where planning decisions are reversed on appeal for a specific case. Some payments were made in 2011/12 without prejudice to future discussions. The total impact if the case were to go against the Council has been reassessed and the residual balance was deemed sufficient.
- The **Single Status** provision was re-designated from a reserve in 2009/10 due to greater certainty over the likelihood and timing of payment. Following an assessment of this potential risk the Council needs to set aside resources against the potential costs of the pay and grading review. The current balance represents the latest assessment of possible costs.
- **Tenant Management Organisations** – These disputes were settled during 2010/11 and the balance on the provision released.

Under IAS we are required to analyse provisions on the basis of the profile of their use, based on our best estimates where the information is not known and analysing the total amount of the provision into three categories;

- use within one year of balance sheet date
- use more than one year, but less than five years, of the balance sheet date
- use more than five years after the balance sheet date

The following tables contain this information for the year 2011/12, with our equivalent assessment at the balance sheet date for the 2010/11 and 2009/10 accounts.

<b>2011/12 Description</b>	<b>Less than one year</b>	<b>Between one year and five years</b>	<b>Greater than five years</b>	<b>Balance at 31 March 2012</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contract Disputes	(886)	0	0	(886)
CRC Scheme	(324)	0	0	(324)
Dilapidations	(200)	(2,640)	0	(2,840)
Insurance fund GF	(4,783)	(805)	(703)	(6,290)
Lakanal Enquiry	(500)	0	0	(500)
Planning Appeals	(144)	0	0	(144)
Single Status	(342)	0	0	(342)
<b>Totals (GF)</b>	<b>(7,178)</b>	<b>(3,445)</b>	<b>(703)</b>	<b>(11,326)</b>
Insurance fund HRA	(3,190)	(540)	(470)	(4,200)
<b>Totals (GF and HRA)</b>	<b>(10,368)</b>	<b>(3,985)</b>	<b>(1,173)</b>	<b>(15,526)</b>

<b>2010/11 Description</b>	<b>Less than one year</b>	<b>Between one year and five years</b>	<b>Greater than five years</b>	<b>Balance at 31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Continuing Care	(350)	0	0	(350)
Contract disputes	0	(886)	0	(886)
Dilapidations	(200)	0	0	(200)
Insurance fund GF	(935)	(1,870)	(935)	(3,740)
Planning appeals	(150)	0	0	(150)
Single status	(390)	0	0	(390)
<b>Totals (GF)</b>	<b>(2,025)</b>	<b>(2,756)</b>	<b>(935)</b>	<b>(5,716)</b>
Insurance fund HRA	(440)	(880)	(440)	(1,760)
<b>Totals (GF and HRA)</b>	<b>(2,465)</b>	<b>(3,636)</b>	<b>(1,375)</b>	<b>(7,476)</b>

2009/10 Description	Less than one year	Between one year and five years	Greater than five years	Balance at 31 March 2010
	£'000	£'000	£'000	£'000
Continuing Care	(150)	(432)	0	(582)
Contract disputes	(700)	(675)	0	(1,375)
Dilapidations	(200)	0	0	(200)
Insurance fund GF	(865)	(3,462)	(2,689)	(7,016)
Planning appeals	(150)	(456)	0	(606)
Section 117	0	0	0	0
Single status	(240)	(150)	0	(390)
Tenant management organisations	(845)	0	0	(845)
<b>Totals (GF)</b>	<b>(3,150)</b>	<b>(5,175)</b>	<b>(2,689)</b>	<b>(11,014)</b>
Insurance fund HRA	(384)	(1,534)	(1,349)	(3,267)
<b>Totals (GF and HRA)</b>	<b>(3,534)</b>	<b>(6,709)</b>	<b>(4,038)</b>	<b>(14,281)</b>

### 35. Contingent Liabilities

A contingent liability is defined as: -

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

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

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

The following items have been identified as contingent liabilities:-

- Angell Town Tenant Management Organisation (TMO) claims that it has made overpayments of Council Tax of £0.3m over several years, resulting in an obligation on the council to refund the overpaid amount.

The council has taken steps to determine the likely value of this obligation, but as at the time of preparing these statements has been unable to measure this with sufficient reliability. The obligation is therefore being disclosed in the accounts as a contingent liability.

- The Council, as part of a consortium, received a grant of approximately £1.0m from the European Commission to develop a Combined Heating and Power system (CHP) for its housing stock. The project has suffered from a number of delays due to technical and contractual issues. The Commission would be within its rights to demand repayment of up to two times the value of the grant. The Council could also be liable to pay a further £1.0m to the Energy Saving Trust.

The Council is currently awaiting the works specification regarding the resolution of the technical specifications and related building works to complete the scheme to a level which satisfies the grant conditions and meets the requirements of the residents and the Council. The possibility of not completing the works and satisfying the grant conditions is very low.

A decision is expected in the autumn of 2012 with a view to completion before March 2013.

- A number of private property search companies have complained that land search fees charged by local authorities are incompatible with the Environmental Information Regulations 2004, which state that environmental information contained on a register must be made available for personal inspection at no charge. There is therefore a possibility that the Council, along with all other councils in the country, will have to repay some of the fee income over recent years charged for personal searches relating to property sales. The likelihood of this is unknown since, to date, there have been no successful litigants in the country.

Since January 1 2005, £0.3m income has been received that relates to “personal searches” and “register searches”, which are currently considered to be the two most immediate elements of income that could face legal challenge. The legal claims that have been issued thus far against more than 300 local authorities relate to refunds for some, or all, of these “personal search” fees. The value of claims issued against Lambeth thus far is £110k (plus interest). The LGA is coordinating the handling of the litigation on behalf of authorities. This litigation is very complex, since it involves four government departments as defendants as well as hundreds of local authorities, and is therefore almost certain to take a long time to conclude. The litigation is currently adjourned to provide the parties with the opportunity to consider mediation and possible settlement.

However, there is a further wider element of income, possibly up to £5.4m since 1 January 2005 (of which only a proportion would apply) that could feasibly be the subject of legal proceedings. Since this element of local land charges income is not the subject of legal proceedings thus far, it is not possible to assess how large that proportion would be.

- There is a potential for a liability on the Council arising from the possible need to effect remedial works relating to cladding at Clapham Manor Primary School. The liability arises from the contractor’s (potential) inability to fund the cost of that work and from various sub-contractor claims for money and time. Whilst it is not expected that such liability will eventuate, in the event of a negative outcome there is the possibility of liability on the Council of approximately £500k. A further potential liability of £50k is anticipated in terms of legal and experts’ fees in dealing with the various claims.
- The owner of a property adjacent to Elmgreen School has asserted a prescriptive right of way for emergency escape from the adjoining warehouse property. The Council has been unable to show sufficient evidence to rebut this assertion, and has not denied exercise of the right. The Council would have preferred to negotiate a more convenient arrangement to allow the proper operation of the school but negotiations with the owner broke down in 2010. The existence of this right is likely to have an adverse effect on value. This effect has not been quantified, and this is therefore being disclosed as a contingent liability.

### **36. Contingent Assets**

These are assets in which the possibility of an economic benefit to the Council depends solely upon future events that cannot be controlled by the Council. They are often rights to a future potential claim, based on past events. Due to the uncertainty of the future events, and on the basis of the principle of prudence in recognising assets, these potential assets are not included in the Balance Sheet but are disclosed as notes to the accounts.

Officers have conducted a review of all claims which are potential contingent assets and concluded that the council does not hold any contingent assets.

### **37. Pensions Schemes Accounted for as Defined Contribution Scheme**

LB Lambeth does not participate in any scheme accounted for as a Defined Contribution Scheme, except for the Teachers’ Pension Scheme, which is discussed in more detail under “Defined Benefit Pension Schemes” (see below.).

### 38. Defined Benefit Pension Schemes

#### Participation in pension schemes

As part of the terms and conditions of employment of its officers, the authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the authority's commitment to make the payments needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post-employment schemes:

- The Local Government Pension Scheme, administered locally by Lambeth Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Non-teaching staff employed in schools, along with some other Council staff, belong to a local government pension scheme run by the London Pensions Fund Authority (LPFA).

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2011/12 the council paid £9.89m to the TPA (10.87m in 2010/11), representing 14.1% of pensionable pay (14.1% in 2010/11). Of the total paid in 2011/12 £0.02m related to added years payments. The reduction in contribution is as a result of a number of schools being granted academy status thereby reducing the number of employed teachers during 2011-12. Although the Teachers' Pension Scheme is a defined benefit scheme, due to it being impossible to identify the Council's share of the underlying liabilities in the scheme attributable to its own employees, it is accounted for on the same basis as a defined contribution scheme.

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

	LPFA		Lambeth		Lambeth Living Transferees		Total	
	£'000		£'000		£'000		£'000	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Deficit at Beginning of Year</b>	<b>4,449</b>	30,922	<b>472,315</b>	714,971	<b>4,140</b>	14,380	<b>480,904</b>	760,273
Net movement on Prior-Year figures due to changes in valuation basis	0	0	0	0	0	0	0	0
Actuarial (Gains)/Losses	5,441	(21,407)	68,711	(108,233)	101	(6,777)	74,253	(136,417)
Past Service Cost / (Gains)	0	(5,280)	0	(142,941)	75	(4,327)	75	(152,548)
Other Movements	146	214	1,649	8,518	452	864	2,247	9,596
<b>Deficit at End of Year</b>	<b>10,036</b>	4,449	<b>542,675</b>	472,315	<b>4,768</b>	4,140	<b>557,479</b>	480,904

<sup>1</sup>In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing London Borough of Lambeth's liabilities in the Lambeth Pension Fund by £142.9m, and in the LPFA by 5.3m, and was recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change was considered to be a change in benefit entitlement. This explains the large movement in past service gains. The change had no impact on the General Fund or Housing Revenue Account.

### Transactions relating to post employment benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.



The following transactions have been reflected in the Comprehensive Income and Expenditure Statement, the General Fund and HRA balances via the Movement in Reserves Statement during the year:

	LPFA			Lambeth			Lambeth Living Transferees			Total		
	£'000			£'000			£'000			£'000		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
<b>Comprehensive Income and Expenditure Statement</b>												
Cost of Services:												
• current service cost	340	453	306	20,886	24,459	12,320	1,672	2,588	Not Available	22,898	27,500	12,626
• past service costs / (gains)	0	0	0	0	246	246	75	(4,327)	Not Available	75	(4,081)	246
• exceptional item – past service (gain)	0	(5,280)	0	0	(143,187)	0	0	0	Not Available	0	(148,467)	0
• settlements and curtailments	268	0	5	2,120	730	671	279	0	Not Available	2,667	730	676
Financing and Investment Income and Expenditure										0	0	0
• interest cost	3,135	3,375	3,493	65,560	73,358	62,864	2,149	2,344	Not Available	70,844	79,077	66,357
• expected return on scheme assets	(2,674)	(2,645)	(1,692)	(45,894)	(52,156)	(34,991)	(2,183)	(2,215)	Not Available	(50,751)	(57,016)	(36,683)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,069</b>	<b>(4,097)</b>	<b>2,112</b>	<b>42,672</b>	<b>(96,550)</b>	<b>41,110</b>	<b>1,992</b>	<b>(1,610)</b>	<b>Not Available</b>	<b>45,733</b>	<b>(102,257)</b>	<b>43,222</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0	0	0	Not Available	0	0	0
Actuarial (gains) and losses	5,441	(21,407)	18,335	68,711	(108,233)	310,191	101	(6,777)	Not Available	<b>74,253</b>	(136,417)	328,526
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	<b>6,510</b>	<b>(25,504)</b>	<b>20,447</b>	<b>111,383</b>	<b>(204,783)</b>	<b>351,301</b>	<b>2,093</b>	<b>(8,387)</b>	<b>Not Available</b>	<b>119,986</b>	<b>(238,674)</b>	<b>371,748</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2012 is a loss of £351,548k (2010/11 loss of £277,295k)

## Assets and liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	LPFA			Lambeth			Lambeth Living Transferees			Total		
	£'000			£'000			£'000			£'000		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
<b>Opening balance at 1 April</b>	<b>(58,269)</b>	(74,269)	(51,729)	<b>(1,201,561)</b>	(1,451,777)	(922,182)	<b>(38,085)</b>	(44,546)	Not Available	<b>(1,297,915)</b>	(1,570,592)	(973,911)
Current service cost	<b>(340)</b>	(453)	(306)	<b>(20,886)</b>	(24,459)	(12,320)	<b>(1,672)</b>	(2,588)	Not Available	<b>(22,898)</b>	(27,500)	(12,626)
Interest cost	<b>(3,135)</b>	(3,375)	(3,493)	<b>(65,560)</b>	(73,358)	(62,864)	<b>(2,149)</b>	(2,344)	Not Available	<b>(70,844)</b>	(79,077)	(66,357)
Contributions by scheme participants	<b>(98)</b>	(110)	(142)	<b>(7,500)</b>	(8,156)	(7,907)	<b>(562)</b>	(665)	Not Available	<b>(8,160)</b>	(8,931)	(8,049)
Actuarial gains and losses	<b>(5,434)</b>	11,786	(21,279)	<b>(72,538)</b>	164,609	(489,333)	<b>(282)</b>	7,351	Not Available	<b>(78,254)</b>	183,746	(510,612)
Benefits paid	<b>3,278</b>	2,872	2,685	<b>49,884</b>	49,367	43,746	<b>585</b>	380	Not Available	<b>53,747</b>	52,619	46,431
Past service (costs)/gains	<b>0</b>	5,280	0	<b>0</b>	142,941	(246)	<b>(75)</b>	4,327	Not Available	<b>(75)</b>	152,548	(246)
Entity combinations	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>	0	Not Available	<b>0</b>	0	0
Curtailments	<b>(268)</b>	0	(5)	<b>(2,120)</b>	(730)	(671)	<b>(279)</b>	0	Not Available	<b>(2,667)</b>	(730)	(676)
Settlements	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>	0	Not Available	<b>0</b>	0	0
<b>Closing balance at 31 March</b>	<b>(64,266)</b>	(58,269)	(74,269)	<b>(1,320,281)</b>	(1,201,561)	(1,451,777)	<b>(42,519)</b>	(38,085)	Not Available	<b>(1,427,066)</b>	(1,297,915)	(1,526,046)

Reconciliation of fair value of the scheme (plan) assets:

	LPFA			Lambeth			Lambeth Living Transferees			Total		
	£'000			£'000			£'000			£'000		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
<b>Opening balance at 1 April</b>	<b>53,820</b>	43,347	40,204	<b>729,246</b>	736,807	521,854	<b>33,945</b>	30,166	Not Available	<b>817,011</b>	810,320	562,058
Expected rate of return	<b>2,674</b>	2,645	1,692	<b>45,894</b>	52,156	34,991	<b>2,183</b>	2,215	Not Available	<b>50,751</b>	57,016	36,683
Actuarial gains and losses	<b>(7)</b>	9,621	2,944	<b>3,827</b>	(56,377)	179,143	<b>181</b>	(574)	Not Available	<b>4,001</b>	(47,330)	182,087
Employer contributions	<b>923</b>	969	1,050	<b>41,023</b>	37,871	36,658	<b>1,465</b>	1,853	Not Available	<b>43,411</b>	40,693	37,708
Contributions by scheme participants	<b>98</b>	110	142	<b>7,500</b>	8,156	7,907	<b>562</b>	665	Not Available	<b>8,160</b>	8,931	8,049
Benefits paid	<b>(3,278)</b>	(2,872)	(2,685)	<b>(49,884)</b>	(49,367)	(43,746)	<b>(585)</b>	(380)	Not Available	<b>(53,747)</b>	(52,619)	(46,431)
Entity combinations	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>	0	Not Available	<b>0</b>	0	0
Settlements	<b>0</b>	0	0	<b>0</b>	0	0	<b>0</b>	0	Not Available	<b>0</b>	0	0
<b>Closing balance at 31 March</b>	<b>54,230</b>	53,820	43,347	<b>777,606</b>	729,246	736,807	<b>37,751</b>	33,945	Not Available	<b>869,587</b>	817,011	780,154

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return in the year on LPFA assets was £2.666m (2010/11: £3.095m), and on Lambeth Pension Fund assets was £49.916m (2010/11: £10.138m). The equivalent actual return for Lambeth Living Transferees was £2.374m (2010/11 £0.431m)

## Scheme history

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
LPFA	(64,266)	(58,269)	(74,269)	(51,729)	(53,959)
Lambeth	(1,320,281)	(1,201,561)	(1,451,777)	(922,182)	(975,829)
LL	(42,519)	(38,085)	Not Available	Not Available	Not Available
<b>Total</b>	<b>(1,427,066)</b>	<b>(1,297,915)</b>	<b>(1,526,046)</b>	<b>(973,911)</b>	<b>(1,029,788)</b>
<b>Fair value of assets</b>					
LPFA	54,230	53,820	43,347	40,204	45,821
Lambeth	777,606	729,246	736,807	521,856	691,862
LL	37,751	33,945	Not Available	Not Available	Not Available
<b>Total</b>	<b>869,587</b>	<b>763,191</b>	<b>780,154</b>	<b>562,060</b>	<b>737,683</b>
<b>Surplus/(deficit) in the scheme:</b>					
LPFA	(10,036)	(4,449)	(30,922)	(11,525)	(8,138)
Lambeth	(542,675)	(472,315)	(714,970)	(400,326)	(283,967)
LL	(4,768)	(4,140)	Not Available	Not Available	Not Available
<b>Total</b>	<b>(557,479)</b>	<b>(480,904)</b>	<b>(745,892)</b>	<b>(411,851)</b>	<b>(292,105)</b>

The liabilities show the underlying commitments to pay post employment (retirement) benefits that the authority has in the long run. The total liability of £1.384m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £0.553m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy:

- the deficit on the schemes will be made good by increased contributions over the remaining working life of employees payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

(i.e. before The total contributions expected to be made to the LPFA by the council in the year to 31 March 2013 is £0.520m. Expected contributions for the Lambeth scheme in the year to 31 March 2013 are £33.728m. The equivalent amount for Lambeth Living transferees is £1.489m.

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels and so forth. London Borough of Lambeth and the Lambeth Living Transferees liabilities have been assessed by Hyman Robertson LLP, an independent firm of actuaries, and LPFA liabilities by Barnett Waddingham Public Sector Consulting, estimates for the LPFA Fund being based on the latest full valuation of the scheme as at 1 April 2011.

The principal assumptions used by the actuaries have been:

	LPFA			Lambeth		
	2011/12	2010/11	2009/10	2011/12	2010/11	2009/10
<b>Long-term expected rate of return on assets in the scheme:</b>						
Cashflow Matching	3.3%	4.4%	4.5%	0%	0%	0%
Equity investments	6.3%	7.2%	7.3%	6.3%	7.5%	7.8%
Target Return Portfolio	4.5%	5.0%	5.0%	0%	0%	0%
Bonds	0%	0%	0%	4.6%	4.9%	5.0%
Property	0%	0%	0%	4.4%	5.5%	5.8%
Cash	3.0%	3.0%	3.0%	3.5%	4.6%	4.8%
<b>Mortality assumptions:</b>						
Longevity at 65 for current pensioners:						
• Men	20.1 years	20.0 years	21.0 years	20.1 years	20.1 years	20.8 years
• Women	23.0 years	22.9 years	23.4 years	22.9 years	22.9 years	24.1 years
Longevity at 65 for future pensioners:						
• Men	22.1 years	22.0 years	22.0 years	22.0 years	22.0 years	22.3 years
• Women	24.9 years	24.9 years	24.2 years	24.8 years	24.8 years	25.7 years
Rate of inflation	3.3%	3.5%	3.9%	3.3%	3.6%	3.8%
Rate of increase in salaries	4.2%	4.5%	5.4%	4.8%	5.1%	5.3%
Rate of increase in pensions(CPI)	2.5%	2.7%	3.9%	2.5%	2.8%	3.8%
Rate for discounting scheme liabilities	4.6%	5.5%	5.5%	4.8%	5.5%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50%	50%	50%	25% (pre-April 2008 service) 63% (post-April 2008 service)	25% (pre-April 2008 service) 63% (post-April 2008 service)	25% (pre-April 2008 service) 63% (post-April 2008 service)

The Pension Schemes' assets consist of the following categories, by proportion of the total assets held:

	LPFA			Lambeth		
	31 March 2012	31 March 2011	31 March 2010	31 March 2012	31 March 2011	31 March 2010
	%	%	%	%	%	%
Cashflow matching	32.0	35.0	38.0	0	0	0
Equity investments	13.0	12.0	11.0	54.0	55.0	75.4
Bonds	0	0	0	27.0	23.0	18.4
Property	0	0	0	11.0	5.0	4.8
Cash	2.0	(1.0)	(3.0)	8.0	17.0	1.4
Target return portfolio	53.0	54.0	54.0	0	0	0
	100	100	100	100	100	100

### History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	2011/12	2010/11	2009/10	2008/09	2007/08
	%	%	%	%	%
<b>Differences between the expected and actual return on assets:</b>					
• LPFA	(0.0)	(17.9)	(6.8)	15.9	(7.8)
• Lambeth	1.5	0.8	(24.3)	38.4	10.8
<b>Experience gains and losses on liabilities:</b>					
• LPFA	(0.2)	4.9	1.0	0.2	(1.7)
• Lambeth	1.7	(5.2)	0.4	(0.5)	2.1

The UK budget statement on 22 June 2010 the chancellor announced that with effect from 1 April 2011 all future public service pensions are expected to be based on Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) and as such CPI financial assumptions have formed the basis of the IAS19 calculations.

### 39. Trust Funds

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

	Balance at 31 March 2012	Balance at 31 March 2011	Balance at 31 March 2010
	£'000	£'000	£'000
Monies Held on behalf of adult care clients	(3,312)	(4,207)	(2,078)
Monies Held on behalf of children in care	(29)	(29)	(29)
Wellington Mills - Housing Corporative	(306)	(305)	(304)
Dick Sheppard Resource	0	0	(54)
Others*	(116)	(119)	(122)
Total Trust Fund	(3,763)	(4,660)	(2,587)

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

### 40. Events after the Balance Sheet Date (non-adjusting)

For each material category of non-adjusting event after the reporting date the Code of Practice requires the Council to disclose the nature of the event and an estimate of its financial effect or a statement that such an estimate cannot be made if that is the case.

During the year, two schools elected to become Academies; St Martin-in-the-Fields Secondary and Lilian Baylis Secondary. Since the balance sheet date, St Martin-in-the-Fields has achieved academy status. Lilian Baylis is going through the process. The Locally Managed Schools balance will reduce to reflect the transfer of the schools' surpluses from public sector ownership, estimated to be £0.4m. This will be reflected in the 2012/13 Statements.

## NOTES TO THE MOVEMENT IN RESERVES STATEMENT

### 41. 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.



2011/12 (i)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

#### Adjustments involving the Capital Adjustment Account:

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Amortisation of intangible assets	(1,630)	0	0	(392)	0	2,023
Charges for depreciation of non current assets	(25,160)	0	0	(18,734)	0	43,894
Charges for impairment of non current assets	(18,521)	(59,471)	0	0	0	77,992
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	42,364	822	0	0	0	(43,186)
S106 and contributions applied	4,790	0	0	0	0	(4,790)
Repayment of Mortgage Principle	0	0	(225)	0	0	225
Write-off of Mortgage Principal Against Debtors	0	(2)	(30)	0	0	32
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(14,663)	0	0	0	0	14,663
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15,101)	(7,399)	0	0	0	22,500
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Minimum Revenue Provision	14,870	0	0	0	0	(14,870)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Commutation Adjustment	(2,110)	0	0	0	0	2,110
Statutory Provision for Overhanging Debt	0	22,500	0	0	0	(22,500)
Adjustments due to HRA Self- Financing	0	165,210	0	0	0	(165,210)

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Capital expenditure charged against the General Fund and HRA balances	8,440	0	0	0	0	(8,440)
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#### Adjustments involving the Capital Grants Unapplied Account:

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (Cost of Services)	(7)	0	0	0	7	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement (Taxation & Non-Specific Grant Income)	16,540	4,033	0	0	(20,573)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	(480)	0	0	0	480	0
Application of grants to capital financing transferred to the Capital Adjustment Account GF	0	0	0	0	6,777	(6,777)
Application of grants to capital financing transferred to the Capital Adjustment Account HRA	0	0	0	0	147	(147)

2011/12 (ii)	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
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**Adjustments involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,105	20,913	(25,560)	0	0	542
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	17,618	0	0	(17,618)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	0	0	542	0	0	(542)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,261)	0	2,261	0	0	0
Transfer from Deferred Capital Receipts Reserve	0	0	0	0	0	0
Compulsory Purchase Order	0	0	0	0	0	0

**Adjustments involving the Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

**Adjustment involving the Major Repairs Reserve**

Reversal of Major Repairs Allowance credited to the HRA	0	5,641	0	(5,641)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	21,013	0	(21,013)

**Adjustments involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	100	650	0	0	0	(750)
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**Adjustments involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43b)	(43,161)	(2,572)	0	0	0	45,733
Employer's pensions contributions and direct payments to pensioners payable in the year	41,358	2,053	0	0	0	(43,411)

**Adjustments involving the Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	4,505	0	0	0	0	(4,505)
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**Adjustment involving the Accumulated Absences Account**

Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	294	0	0	0	0	(294)
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<b>Total Adjustments</b>	<b>14,272</b>	<b>152,378</b>	<b>(5,394)</b>	<b>(3,754)</b>	<b>(13,162)</b>	<b>(144,339)</b>
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2010/11 (i)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

**Adjustments involving the Capital Adjustment Account:**

Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:

Amortisation of intangible assets	0	0	0	0	0	0
Charges for depreciation of non current assets	(24,629)	(18,473)				43,102
Charges for impairment of non current assets	(14,727)	(337,015)				351,742
Revaluation losses on Property Plant and Equipment	0	0	0	0	0	0
Movements in the market value of Investment Properties	0	0	0	0	0	0
Capital grants and contributions applied	31,474	988	0	0	915	(33,377)
S106 and contributions applied	1,341	246	0	0		(1,587)
Movement in the Donated Assets Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(43,532)	(246)	0	0	0	43,778
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(13,110)	(7,518)	0	0	0	20,628
Amounts of revaluation reserve written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
Adjusting amounts written out of the Revaluation Reserve	0	0	0	0	0	0
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Minimum Revenue Provision	12,532	0	0	0	0	(12,532)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Commutation Adjustment	(2,573)	0	0	0	0	2,573

Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:

Statutory provision for the financing of capital investment	0	0	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	931	0	0	0	0	(931)

**Adjustments involving the Capital Grants Unapplied Account:**

Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	6,092	4,961	0	0	(11,053)	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(29)	0	0	0	29	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	0

2010/11 (ii)	General	Housing	Capital	Major	Capital	Movement in
	Fund	Revenue	Receipts	Repairs	Grants	Unusable
	Balance	Account	Reserve	Reserve	Unapplied	Reserves
	£'000	£'000	£'000	£'000	£'000	£'000

**Adjustments involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,987	21,105	(26,092)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	25,409	0	0	(25,409)
Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals	(55)	(233)	288	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(2,422)	0	2,422	0	0	0
Transfer from Deferred Capital Receipts Reserve	(12)	(49)	61	0	0	0
Compulsary Purchase Order	(118)	0	118	0	0	0

**Adjustments involving the Deferred Capital Receipts Reserve:**

Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(61)	0	0	61
Transfer to the Capital Receipts Reserve upon receipt of cash	0	0	0	0	0	0

**Adjustment involving the Major Repairs Reserve**

Reversal of Major Repairs Allowance credited to the HRA	0	6,846	0	(6,846)	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	8,336	0	(8,336)

<b>Adjustments involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	102	819	0	0	0	(921)
<b>Adjustments involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 43b)	101,527	730	0	0	0	(102,257)
Employer's pensions contributions and direct payments to pensioners payable in the year	38,110	2,583	0	0	0	(40,693)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	6,561	0	0	0	0	(6,561)
<b>Adjustment involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	134	12	0	0	0	(147)
<b>Total Adjustments</b>	<b>102,584</b>	<b>(325,244)</b>	<b>2,145</b>	<b>1,490</b>	<b>(10,109)</b>	<b>229,133</b>

## 42. Usable Reserves

	31 March 2012	31 March 2011	31 March 2010
	£'000	£'000	£'000
General Fund	(25,203)	(28,887)	(28,715)
LMS Balances	(14,005)	(12,052)	(14,485)
Earmarked Reserves – General Fund	(60,154)	(61,588)	(66,847)
Earmarked Reserves - HRA	(1,770)	(2,400)	(140)
Housing Revenue Account	(5,576)	(2,043)	(49)
Capital Receipts Reserve	(34,218)	(28,823)	(30,969)
Capital Grants Unapplied Account	(41,752)	(28,590)	(18,481)
Major Repairs Reserve	(4,353)	(599)	(2,089)
<b>Total Usable Reserves</b>	<b>(187,031)</b>	<b>(164,982)</b>	<b>(161,775)</b>

### 42a. LMS Balance

	2011/12	2010/11
	£'000	£'000
<b>Balance at 1 April</b>	<b>(12,052)</b>	<b>(14,485)</b>
Overspent School Balances	1,909	5,285
Underspent School Balances	(5,369)	(3,780)
	<b>(15,512)</b>	<b>(12,980)</b>
Adjustment for Schools becoming Academies	0	0
Durand Junior Mixed Infant School	0	172
Stockwell Park School	0	756
Corpus Christ RC	58	0
Johanna Junior Mixed Infant School	171	0
Dunraven School	1,278	0
<b>Balance at 31 March</b>	<b>(14,005)</b>	<b>(12,052)</b>

## 42b. Transfers to/from General Fund 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 2010/11 and 2011/12.

Reserve	Balance at 31 March 2010 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2011 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2012 £'000
<b>Revenue Reserves</b>							
2011 Census	(1,000)	0	977	(23)	0	23	0
ACS Transformation Fund	(2,760)	0	2,760	0	0	0	0
Capital Reserve	(3,000)	(4,000)	94	(6,906)	(5,687)	7,727	(4,866)
Carbon Trading Scheme	(2,000)	0	0	(2,000)	0	324	(1,676)
CCTV Reserve	(781)	0	248	(533)	0	200	(333)
Civil Emergencies Fund	(1,000)	0	0	(1,000)	0	500	(500)
Community Children's Services - Rent etc Blue Star House	(320)	0	0	(320)	0	320	0
Concessionary fares - future increases	(1,949)	0	0	(1,949)	0	500	(1,449)
Dilapidations	(3,500)	0	0	(3,500)	0	2,728	(772)
Earmarked Grants & Carry Forwards	(14,391)	(5,434)	7,946	(11,879)	(2,919)	3,175	(11,623)
Health and Safety statutory compliance works	0	0	0	0	(3,227)	0	(3,227)
Henry Fawcett Primary School	(320)	0	77	(243)	0	142	(101)
Information and Communication Technology Investment	0	0	0	0	(2,000)	0	(2,000)
Insurance Fund (GF)	(2,713)	(2,387)	0	(5,100)	0	3,600	(1,500)
Invest to Save Fund (Adj A)	(6,755)	(562)	373	(6,944)	(20)	756	(6,208)
Litigation Fund	(521)	0	0	(521)	(500)	0	(1,021)
One-off Capital Investment Fund	(1,800)	0	1,800	0	0	0	0
Oracle	(3,325)	0	259	(3,066)	(3,000)	300	(5,766)
Pension Fund	(5,000)	0	5,000	0	0	0	0
Popes Road Car Park	(850)	0	437	(413)	0	413	0
Private Finance Initiative Smoothing Reserve	(2,287)	(93)	273	(2,107)	(59)	258	(1,908)
Project Signal Reserve	0	0	0	0	(152)	0	(152)
Public Realm - South Bank	0	(1,000)	0	(1,000)	0	0	(1,000)
Public Realm - Winter Demand	0	(1,000)	0	(1,000)	0	0	(1,000)

	Balance at 31 March 2010 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2011 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2012 £'000
Renewal Programme - Roads and Pavements	(700)	0	700	0	0	0	0
Reorganisation	(5,000)	(3,104)	0	(8,104)	0	0	(8,104)
Repairs and Maintenance Sinking Fund	(2,000)	0	2,000	0	0	0	0
Revenues Benefits and Customer Services Reserve	0	(500)	0	(500)	0	500	0
Section 117	(885)	0	485	(400)	0	0	(400)
Sustainability Reserve	(1,000)	0	0	(1,000)	0	0	(1,000)
Transformation and Efficiency Smoothing Reserve	0	0	0	0	(3,000)	0	(3,000)
Transformation Fund	(1,450)	0	306	(1,144)	(51)	0	(1,195)
Transitional Funding 2011/12	0	(1,295)	0	(1,295)	0	1,295	0
Two year limited revenue (Adj A)	(905)	0	645	(260)	0	260	0
Welfare Reform Risk Reserve (GF)	0	0	0	0	(1,000)	0	(1,000)
Accumulated Smaller Balances	(635)	(160)	414	(381)	0	28	(353)
<b>Total</b>	<b>(66,847)</b>	<b>(19,535)</b>	<b>24,794</b>	<b>(61,588)</b>	<b>(21,615)</b>	<b>23,049</b>	<b>(60,154)</b>

Resources were earmarked for the costs of the **2011 census**. The census is complete and the reserve is no longer required.

The **Adults' & Community Services transformation fund** was set up to enable the department to undertake transformational activity and manage unbudgeted pressures in 2010/11.

The **earmarked capital reserve** is to provide resources for the capital programme.

The **Carbon Trading Scheme** reserve is to meet carbon reduction allowance costs in the early years of the scheme.

The **CCTV renewals reserve** exists to provide for the renewal and replacement of the Council's CCTV equipment.

The **civil emergencies fund** was created to meet any extraordinary costs that occur due to an unforeseen event or an emergency.

**Community children's services** – rent and associated costs for an accommodation move for the essential relocation of the service, to cover three years' rent, rates etc. until 2012.

The **concessionary fares – future increases** reserve was created to meet the costs of future price increases.

The **dilapidations reserve** is to meet unforeseen costs arising from previous shortfalls in repairs and maintenance. A £2.7m transfers out from this reserve was used to fund the increase of the dilapidations provision to account for several leasehold buildings approaching the end of their lease term.

The **earmarked grants and budget carry-forwards reserves** were created to provide funds for specific grant-funded projects, and to finance expenditure that had been committed but not yet incurred at balance sheet date.

**Health and Safety Statutory Compliance Works** - a reserve has been created to meet the costs of Health and Safety compliance work at non-core buildings.

A reserve has been set aside to deal with academic issues arising at **Henry Fawcett Primary School**.

**Information and Communication Technology Investment Reserve** - a reserve has been created to meet the costs associated with general investment in the Council's Information and Communication Technology infrastructure

**Insurance fund (GF)** – the Council's actuaries are appointed to undertake the annual assessment of its insurance fund liabilities and the level of both the insurance fund provisions and the reserve shown here are determined by their recommendations. In 2011/12 a total of £5.8m was appropriated from the insurance reserves to the insurance provisions to cover claims for mesothelioma as a result of asbestos exposure, in accordance with the Supreme Court judgement of March 2012. This was split between the General Fund and the HRA in the ratio 60:40.

**Invest to Save fund** – resources set aside for initiatives which will deliver ongoing revenue savings.

The **litigation fund** is set aside to enable the Council to obtain high-quality legal advice where circumstances require and where the cases in question could not reasonably be budgeted for.

The **one-off capital investment fund** held resources set aside for a programme to run in 2009/10.

The **Oracle and financial systems reserve** is for the cost of implementing the next major release of the Council's ERP solution and any associated costs.

The **pension fund reserve** was established to provide a source of funds to tackle any deficit on the pension fund identified during the actuarial valuation. It is no longer required.

The **Popes Road Car Park** reserve was to meet demolition costs in respect of the multi-storey car park. The project is complete and the reserve is no longer required.

The **Private Finance Initiative smoothing reserve** operates to even out the flow of income and payments over the life of the Council's PFI contracts.

**Project Signal** - a reserve has been created to meet the costs of updating the Council's communications hardware under Project Signal

The **Public Realm – South Bank reserve** is a reserve to meet costs associated with increased footfall on the South Bank in 2012/13.

The **Public Realm – winter demand reserve** is a reserve to meet unbudgeted costs arising from severe weather conditions.

The reserve for the **renewal programme – roads and pavements** held resources set aside for a programme to run in 2009/10.

The **reorganisation reserve** is to meet one-off costs arising from the need to review the Council's structure in the light of reducing resources.

The **repairs and maintenance sinking fund reserve** was created in 2009/10 to meet administrative building costs not covered in the base budget.

The **Revenues Benefits and Customer Services reserve** was created to meet known operational pressures in the Revenues Benefits and Customer Services division, and was fully utilised in 2011/12.

The **Section 117 reserve** was set aside for potential claims. In July 2002, the House of Lords upheld the judgment of the Court of Appeal and the High Court that local authorities had no power to charge for residential accommodation under Section 117 of the Mental Health Act 1983. This item was previously held as a provision but, as time passes, it becomes less likely that claims will be forthcoming.

The **earmarked sustainability fund** is to pump prime the implementation of the Sustainability Action Plan.

**Transformation and Efficiency smoothing** reserve - a reserve has been created to take account of the degree of timing risk associated with realising the savings from the Council's significant transformation portfolio the Spending Review period. Should there be a delay in delivering any savings it is intended that this reserve will provide temporary funding pending permanent delivery.



The **transformation fund** has been set aside for smaller value feasibility and pump-priming schemes to facilitate the transformation of services.

The **transitional funding 11/12 reserve** was a new reserve to enable cultural, sports and community services to transform to a new service model.

**Two-year limited revenue (Adjustment A)** – revenue resources set aside to meet time limited initiatives.

**Welfare Reform Risk (GF)** – resources earmarked to support the Council's strategic response to the changes in support for welfare benefits and the way they will be administered in future.

An **accumulation of smaller earmarked reserves** under £500,000 are established for various minor miscellaneous purposes.

#### 42c. Transfers to/from HRA Earmarked Reserves

This note sets out the amounts set aside from the HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet HRA expenditure in 2010/11 and 2011/12.

	Balance at 31 March 2010	Transfers in	Transfers out	Balance at 31 March 2011	Transfers in	Transfers out	Balance at 31 March 2012
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Insurance Fund (HRA)	(140)	(2,260)	0	(2,400)	(920)	2,320	(1,000)
Welfare Reform Risk Reserve (HRA)	0	0	0	0	(770)	0	(770)
<b>Total</b>	<b>(140)</b>	<b>(2,260)</b>	<b>0</b>	<b>(2,400)</b>	<b>(1,690)</b>	<b>2,320</b>	<b>(1,770)</b>

**Insurance fund (HRA)** – the Council's actuaries are appointed to undertake the annual assessment of its insurance fund liabilities and the level of both the insurance fund provisions and the reserve shown here are determined by their recommendations. In 2011/12 a total of £5.8m was appropriated from the insurance reserves to the insurance provisions to cover claims for mesothelioma as a result of asbestos exposure, in accordance with the Supreme Court judgement of March 2012. This was split between the General Fund and the HRA in the ratio 60:40.

**Welfare Reform Risk (HRA)** - resources earmarked to support the Council's strategic response to the changes in support for welfare benefits and the way they will be administered in future.

#### 42d. Capital Receipts Reserve

	2011/12 £'000	2010/11 £'000
Balance brought forward 1 April	(28,826)	(30,969)
Capital receipts in year	(25,560)	(26,091)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	2,261	2,422
Disposal costs	542	288
Compulsory Purchase Order	0	118
Repayment of mortgage principal	(253)	0
Financing of capital expenditure	17,618	25,408
<b>Balance carried forward 31 March</b>	<b>(34,218)</b>	<b>(28,824)</b>

## 42e. Capital Grants Unapplied Account

	2011/12 £'000	2010/11 £'000
Balance brought forward 1 April	(28,590)	(18,481)
Grants transferred to the account in year	(20,093)	(11,037)
Grants applied to capital expenditure	6,931	928
<b>Balance carried forward 31 March</b>	<b>(41,752)</b>	<b>(28,590)</b>

## 42f. Major Repairs Reserve

	2011/12 £'000	2010/11 £'000
Balance brought forward	(599)	(2,089)
Brought forward funding	0	0
Transfer from HRA	(5,641)	11,628
Capital expenditure charged to reserve	21,013	8,336
<b>Transfer from HRA equal to depreciation</b>		
Operational assets		
- dwellings	(16,332)	(16,431)
- land	0	0
- other property	(2,795)	(2,043)
<b>Balance carried forward 31 March</b>	<b>(4,354)</b>	<b>(599)</b>

## 43. Unusable Reserves

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Revaluation Reserve	(209,852)	(260,363)	(250,146)
Pensions Reserve	557,481	480,904	760,273
Capital Adjustment Account	(1,309,680)	(1,154,417)	(1,522,238)
Deferred Capital Receipts	(739)	(771)	(831)
Financial Instruments Adjustment Account	3,632	4,382	5,303
Collection Fund Adjustment Account	(10,031)	(5,526)	1,035
Accumulated Absences Adjustment Account	4,113	4,407	4,554
<b>Total Unusable Reserves</b>	<b>(965,076)</b>	<b>(931,384)</b>	<b>(1,002,050)</b>

### 43a. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment [and Intangible Assets]. 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, the date that the Reserve was created.

Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>(260,362)</b>	(250,146)
Revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	36,390	(22,189)
Difference between fair value depreciation and historical cost depreciation	6,511	2,648
Accumulated gains on assets sold or scrapped	7,609	9,323
Amount written off to the Capital Adjustment Account	0	0
<b>Balance at 31 March</b>	<b>(209,852)</b>	(260,362)

### 43b. Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

	LPFA		Lambeth		Lambeth Living Transferees		Total	
	£'000		£'000		£'000		£'000	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Deficit at Beginning of Year</b>	<b>4,449</b>	30,922	<b>472,315</b>	714,971	<b>4,140</b>	14,380	<b>480,904</b>	760,273
Net movement on Prior-Year figures due to changes in valuation basis	0	0	0	0	0	0	0	0
Actuarial (Gains)/Losses	5,441	(21,407)	68,711	(108,233)	101	(6,777)	74,253	(136,417)
Past Service Cost / (Gains)	0	(5,280)	0	(142,941)	75	(4,327)	75	(152,548)
Other Movements	146	214	1,649	8,518	452	864	2,247	9,596
<b>Deficit at End of Year</b>	<b>10,036</b>	4,449	<b>542,675</b>	472,315	<b>4,768</b>	4,140	<b>557,479</b>	480,904

<sup>1</sup>In the UK budget statement on 22 June 2010, the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This had the effect of reducing London Borough of Lambeth's liabilities in the Lambeth Pension Fund by £142.9m, and in the LPFA by 5.3m, and was recognised as a past service gain in accordance with the guidance set down in UITF Abstract 48, since the change was considered to be a change in benefit entitlement. This explains the large movement in past service gains. The change had no impact on the General Fund or Housing Revenue Account.

### 43c. Capital Adjustment Account

The 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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

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

	2011/12	2010/11
	£'000	£'000
<b>Balance at 1 April</b>	<b>(1,154,415)</b>	<b>(1,522,238)</b>
<hr/>		
<u>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</u>		
· Charges for depreciation, amortisation, impairment and revaluation losses of non current assets	<b>123,909</b>	394,983
· Revenue expenditure funded from capital under statute: General Fund	<b>14,663</b>	43,778
· Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>22,500</b>	20,632
· Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	<b>(7,609)</b>	(9,324)
· Adjusting amounts written out of the Revaluation Reserve	<b>(6,510)</b>	(2,648)
<hr/>		
<b>Net written out amount of the cost of non current assets consumed in the year</b>	<b>146,953</b>	447,421
<hr/>		

	2011/12	2010/11
	£'000	£'000
<u>Capital financing applied in the year:</u>		
· Use of the Capital Receipts Reserve to finance new capital expenditure	(17,618)	(25,409)
· Mortgages	225	0
· Use of the Major Repairs Reserve to finance new capital expenditure	(21,013)	(8,336)
· Capital grants and contributions applied	(54,900)	(34,963)
· Statutory provision for the financing of capital investment charged against the General Fund and Housing Revenue Account balances – Minimum Revenue Provision	(14,870)	(12,532)
· Statutory HRA settlement payment	(165,210)	0
· Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Commutation Adjustment	2,110	2,573
· Amounts paid by the First Secretary of State or the Secretary of State to the Public Works Loan Board as a result of disposal of housing land	(22,500)	0
· Capital expenditure charged against the General Fund and Housing Revenue Account balances	(93)	(242)
· Capital expenditure charged against the General Fund and Housing Revenue Account balances PFI & IFRIC12	0	(147)
· Capital expenditure charged against the General Fund and Housing Revenue Account balances (Reserves)	(8,347)	(542)
<b>Total capital financing applied during the year</b>	<b>(302,216)</b>	<b>(79,598)</b>
<b>Balance at 31 March</b>	<b>(1,309,678)</b>	<b>(1,154,415)</b>

#### 43d. Deferred Capital Receipts Reserve

The 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.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>(771)</b>	<b>(831)</b>
Transfer to the Capital Receipts Reserve upon receipt of cash	32	61
<b>Balance at 31 March</b>	<b>(739)</b>	<b>(770)</b>

#### 43e. Financial Instruments Adjustment Account

The 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 2012 will be charged to the General Fund over the next 15 years and to the HRA for the next eight years.

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>4,382</b>	<b>5,303</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund & HRA Balances in accordance with statutory requirements	(750)	(921)
<b>Balance at 31 March</b>	<b>3,632</b>	<b>4,382</b>

#### 43f. Collection Fund Adjustment Account

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

	2011/12 £'000	2010/11 £'000
<b>Balance at 1 April</b>	<b>(5,527)</b>	<b>1,035</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(4,505)	(6,562)
<b>Balance at 31 March</b>	<b>(10,032)</b>	<b>(5,527)</b>

### 43g. Accumulated Absences Account

The 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.

	2011/12	2010/11
	£'000	£'000
<b>Balance at 1 April</b>	<b>4,407</b>	4,554
Settlement or cancellation of accrual made at the end of the preceding year	<b>(4,407)</b>	(4,554)
Amounts accrued at the end of the current year	<b>4,113</b>	4,407
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	<b>(294)</b>	(147)
<b>Balance at 31 March</b>	<b>4,113</b>	4,407



## NOTES TO THE CASH FLOW STATEMENT

### 44. Operating activities

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		<b>(166,387)</b>		<b>229,389</b>
<u>Adjust net surplus or deficit on the provision of services for non cash movements</u>				
Depreciation and amortisation	<b>(45,918)</b>		(44,449)	
Impairment and downward valuations	<b>(77,992)</b>		(350,533)	
Adjustment representing accounting treatment correction in relation to foundation schools			(24,721)	
( Increase )/Decrease in Creditors	<b>(13,132)</b>		5,832	
Increase/ (Decrease) in Debtors	<b>14,968</b>		(14,245)	
(Decrease)/Increase in Inventories	<b>0</b>		(11)	
Accumulated Balances of Schools transferred to Academy Status	<b>1,507</b>		2,365	
Other adjustments	<b>185</b>		407	
HRA self-financing settlement	<b>165,210</b>			
Overhanging debt	<b>22,500</b>		0	
Non-cash pension costs	<b>(2,322)</b>		139,487	
Contributions to/(from) Provisions	<b>(8,049)</b>		6,804	
Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	<b>(22,500)</b>		(20,439)	
		<b>34,457</b>		<b>(299,503)</b>
<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	<b>64,294</b>		46,743	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	<b>25,563</b>		26,029	
		<b>89,857</b>		<b>72,772</b>
<b>Net Cash Flows from Operating Activities</b>		<b>(42,073)</b>		<b>2,658</b>

#### 45. Investing Activities

	2011/12	2010/11
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	84,750	84,955
Purchase of short-term and long-term investments	291,400	137,703
Other payments for investing activities		
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,089)	(26,090)
Proceeds from short-term and long-term investments	(243,400)	(103,200)
Other receipts from investing activities	(54,487)	(65,735)
<b>Net cash flows from investing activities</b>	<b>54,174</b>	<b>27,633</b>

#### 46. Financing Activities

	2011/12	2010/11
	£'000	£'000
Cash receipts of short and long-term borrowing	0	0
Council Tax and NNDR adjustments	(9,053)	(5,014)
Other receipts from financing activities		0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,138	1,103
Repayments of short- and long-term borrowing	3,134	8,291
Other payments for financing activities		0
<b>Net cash flows from financing activities</b>	<b>(4,781)</b>	<b>4,380</b>

#### 47. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2011/12	2010/11
	£'000	£'000
Interest received	(4,585)	(1,536)
Interest paid	40,175	38,519

#### 48. Cash and Cash Equivalents

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

	31 March 2012	31 March 2011
	£'000	£'000
Cash and cash equivalents (Short-term assets)	96,304	88,572
Cash and cash equivalents (Short-term liabilities)	(69,077)	(54,025)
<b>Total Cash and Cash Equivalents</b>	<b>27,227</b>	<b>34,547</b>

Note 28 to the Balance Sheet provides further details of cash and cash equivalents.

## HRA INCOME AND EXPENDITURE ACCOUNT

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

	Note	2011/12 £'000	2010/11 £'000
<b>Income</b>			
Dwelling rents		(121,204)	(110,982)
Non dwelling rents		(4,207)	(3,827)
Charges for services and facilities		(38,967)	(36,597)
Contributions Towards Expenditure		(126)	(1,364)
HRA Subsidy Receivable	56	(3,047)	0
		<b>(167,551)</b>	<b>(152,770)</b>
<b>Expenditure</b>			
Repairs and maintenance		25,742	20,970
Supervision and management		86,043	76,321
Rents, rates, taxes and other charges		4,601	4,495
HRA Subsidy payable		0	10,694
Depreciation of fixed assets	55	19,127	18,473
Impairment / Revaluation loss	55	16,297	337,015
Debt management expenses		120	113
Increase in Bad Debt Provision		2,627	4,159
Short term accumulating compensated absences		2	(12)
Increase/(Reduction) in Provision			
		<b>154,559</b>	<b>472,228</b>
<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>		<b>(12,992)</b>	<b>319,458</b>
HRA share of Corporate and Democratic Core		<b>800</b>	<b>800</b>
<b>Net cost of HRA services</b>		<b>(12,192)</b>	<b>320,258</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
Interest payable and similar charges - other		19,886	19,751
Interest payable and similar charges – premia on redemption of loan		39,734	0
Gain or Loss on disposal		(13,514)	(13,303)
Impairment of assets held for sale		43,174	0
Interest and investment income		(316)	(306)
Pensions interest cost & return on assets		248	541
Capital grants and contributions - HRA self financing settlement		(200,292)	0
Capital grants and contributions - Overhanging Debt Grant		(27,152)	0
Capital Grants and Contributions - other		(4,855)	(5,949)
<b>(Surplus)/Deficit for the year on HRA services</b>		<b>(155,279)</b>	<b>320,992</b>

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2011/12 £'000	2010/11 £'000
Balance on the HRA at the end of the previous year	(2,043)	(49)
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(155,279)	320,992
Adjustments Between Accountancy Basis and Funding Basis under Statute (see Note 49)	152,376	(325,246)
Net (Increase) or Decrease before Transfers to or from Reserves	(4,946)	(4,303)
Transfers to or (from) Reserves (see Note 42c)	(630)	2,260
(Increase) or Decrease in year on the HRA	(3,533)	(1,994)
Balance on the HRA at the end of the current year	(5,576)	(2,043)

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 49. Analysis of the movement on the HRA balance:

	2011/12 £'000	2010/11 £'000
<b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year</b>		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	650	821
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	(59,471)	(337,015)
HRA self financing settlement	165,210	0
Capital Grants and Contributions	4,855	5,949
Revenue expenditure financed by capital under statute	0	(246)
S106 Reversal	0	246
Overhanging Debt Grant	22,500	0
Finance Lease Mitigation	(2)	0
Gain or Loss on disposal	13,514	13,303
Mitigation of accumulated absences provision	(2)	12
Net charges made for retirement benefits in accordance with IAS 19	(2,572)	729
<b>Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:</b>		
Transfer to Major Repairs Reserve	5,641	(11,627)
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	2,053	2,582
<b>Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves (see Note 49)</b>	<b>152,376</b>	<b>(325,246)</b>
Transfer to earmarked reserves	(630)	2,260
<b>Net additional amount required by statute to be (debited)/credited to the HRA Balances for the year</b>	<b>151,746</b>	<b>(322,986)</b>

### 50. Housing stock

The Authority was responsible for managing a Housing Revenue Account stock of 24,790 properties as at 31 March 2012 compared with a total of 25,823 properties as at 31 March 2011.

	31 March 2012	31 March 2010
Flats	20,685	21,628
Houses	3,962	4,044
Multi-occupied	142	150
Shared ownership	1	1
<b>Total</b>	<b>24,790</b>	<b>25,823</b>

## 51. HRA assets

	31 March 2012 £'000	31 March 2011 £'000
<b>Operational properties</b>		
Land	418,695	217,969
Dwellings	949,750	1,195,686
Other properties	10,487	12,168
<b>Sub-total</b>	<b>1,378,932</b>	<b>1,425,822</b>
<b>Non-operational properties</b>		
Land	21,116	32,411
Commercial properties	20,941	17,694
Surplus	3,833	7,013
Assets held for sale	3,501	119
Vehicles, Plant & Equipment	4,441	4,121
Intangibles	392	785
Other	26,100	23,559
<b>TOTAL</b>	<b>1,459,256</b>	<b>1,511,524</b>

## 52. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 1st April 2011 was £5.44 billion which has been reduced to £1.360 billion to reflect social housing use. This shows the economic cost to the government of providing council housing at less than market rents.

## 53. Major repairs reserve

	2011/12 £'000	2010/11 £'000
Balance brought forward	(599)	(2,088)
Brought forward funding	0	0
Transfer to HRA	(5,641)	11,627
Capital expenditure charged to reserve	21,013	8,336
<b>Transfer from HRA equal to depreciation</b>		
- dwellings	(16,332)	(16,431)
- land	0	0
- other property	(2,795)	(2,043)
<b>Total</b>	<b>(4,354)</b>	<b>(599)</b>

## 54. Capital expenditure, financing and receipts

	2011/12 £'000	2010/11 £'000
<b>HRA capital expenditure</b>		
Works to dwellings	30,757	35,288
Other Land & Buildings	9,651	38
Vehicles, Plant & Equipment	1,196	2,552
Intangible Assets	0	159
REFFCUS	0	246
	<b>41,604</b>	<b>38,283</b>
<b>Financing of capital expenditure</b>		
Borrowing	10,301	17,447
Usable Capital Receipts	9,321	11,229
Major Repairs Reserve	21,013	8,336
Grants	969	1,271
<b>Total</b>	<b>41,604</b>	<b>38,283</b>
<b>Capital Receipts</b>		
Dwellings	(21,455)	(20,621)
Land	0	(304)
Other properties	0	0
<b>Total</b>	<b>(21,455)</b>	<b>(20,925)</b>

## 55. Depreciation and impairment

	2011/12 £'000	2010/11 £'000
<b>Depreciation charged for the year</b>		
Operational assets		
- dwellings	16,256	16,334
- land	0	0
- other property	2,784	2,041
Non-operational assets		
- dwellings	77	96
- land	0	0
- other property	11	2
<b>Total Depreciation</b>	<b>19,127</b>	<b>18,473</b>
<b>Impairment charged for the year</b>		
Operational assets		
- dwellings	68,405	244,964
- land	5	99,653
- other property	7,151	447
Non-operational assets		
- dwellings	0	105
- land	0	39
- other property	0	0
	<b>75,561</b>	<b>345,208</b>
<b>Impairment losses reversed</b>		
Operational assets		
- dwellings	(16,033)	(5,431)
- land	0	(2,645)
- other property	(58)	(118)
Non-operational assets		
- dwellings	0	0
- land	0	0
- other property	0	0
	<b>(16,090)</b>	<b>(8,194)</b>
<b>Net Impairment</b>	<b>59,470</b>	<b>337,014</b>

## 56. Housing Revenue Account subsidy

	2011/12 £'000	2010/11 £'000
Major repairs allowance	(24,767)	(6,846)
Housing element	21,720	17,540
Subsidy due for the year	(3,048)	10,694
Subsidy limitation adjustment	0	0
<b>Subsidy payable / (receivable)</b>	<b>(3,048)</b>	<b>10,694</b>

Rent rebate subsidy limitation was introduced in order to give local authorities an incentive to control expenditure and the level of rent increase. Where an authority increases its average weekly rent above a limit set by the Secretary of State, it will only receive subsidy on rebates up to the limit and will have to fund the cost of the additional rebates above the limit rent itself.

## 57. Rent arrears

	2011/12 £'000	2010/11 £'000
Arrears as at 31 March	17,252	17,372
Provision for bad debts	(10,602)	(10,275)
<b>Collectable amount</b>	<b>6,650</b>	<b>7,097</b>

## 58. Revenue Expenditure Funded from Capital under Statute

There was no charge to the HRA in accordance with the provisions of the Code (£0.246m in 2010/11).

### 59a. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £519k (benefit of £3,313k in 2010/11), 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.

### 59b. Large Scale Voluntary Transfers

The council undertook one Large Scale Voluntary Transfer (LSVT) during 2011/12, following a resolution of the Council and a subsequent ballot of its then tenants. The financial implications of all transactions relating to this transfer are included throughout the Statement of Accounts.

On 30 March 2012, the council effected the transfer of a total of 959 tenanted and 349 Leaseholder properties in the following estates to WATMOS Housing Association:

- Ethelred TMO
- Thorlands TMO
- METRA Housing Co-op

Following this transfer, the valuation of Council Dwellings was amended to reflect the Tenanted Market Value expected to be received at the time of transfer. This was calculated at £0 reflecting the work required to bring the dwellings up to an acceptable standard. As a result the dwellings were transferred for a nil consideration. Further details of this impairment are available in note 21g on page 89.

The transfer process involved a special VAT Shelter arrangement agreed with WATMOS which enabled related VAT recovery from HMRC. Towards this, a VAT set-off mechanism was effected by HMRC on behalf of both parties. This entailed the Council accounting to HMRC for the estimated input VAT of £6,674k and WATMOS also accounting to HMRC for the output VAT in similar sum.

Under the VAT Shelter arrangement, the Council will benefit from VAT savings of up to £1.3m maximum, receivable as capital receipts and payable by WATMOS on a per annum basis of lesser of £250k or 50% of its total VAT savings. Receipt by the Council of the agreed annual payments commences only when WATMOS starts development works and begins recovery from HMRC of VAT it incurs.

### 59c. Capital Asset Charges Accounting Adjustment (Item 8 Debit / Credit)

This is a notional charge for cost of borrowing in relation to notional debt. The amount is calculated in accordance with a statutory formula.



## 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 and the Greater London Authority

	Note	31 March 2012 £'000	31 March 2011 £'000
<b>INCOME</b>			
Council Tax	60	(110,635)	(108,099)
National Non-Domestic Rates	61	(107,576)	(93,003)
Business Rate Supplement - Crossrail	62	(3,883)	(3,901)
Transfers from the General Fund – Council Tax Benefit		(29,682)	(29,318)
		<b>(251,776)</b>	<b>(234,321)</b>
<b>EXPENDITURE</b>			
Precepts and Demands			
Greater London Authority		32,983	32,126
London Borough of Lambeth		98,505	95,946
		<b>131,488</b>	128,072
National Non-Domestic Rates			
Payment to National Pool		107,087	92,512
Cost of Collection Allowance		488	491
		<b>107,575</b>	93,003
Business Rates Supplement – Crossrail			
Payment to National Pool		3864	3,855
Set-up Costs		0	25
Cost of Collection Allowance		19	21
		<b>3,883</b>	3,901
(Release)/Provision for bad and doubtful debts		(6,266)	(3,421)
Write-off of Council Tax due		8,354	6,435
Write-off of Council Tax refunds due		(2,123)	(3,494)
Transfer to General Fund in respect of prior year			
Estimated Council Tax Surplus		2,135	800
Payments to preceptors re prior year estimated surplus			
Greater London Authority		716	268
		<b>245,762</b>	<b>225,564</b>
<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>		<b>(6,014)</b>	<b>(8,757)</b>
<b>MOVEMENT ON FUND BALANCE</b>			
Deficit / (surplus) brought forward 1 April		(7,375)	1,382
Movement for the year			
Council Tax		(6,014)	(8,757)
<b>(Surplus) / Deficit balance carried forward 31 March</b>	63	<b>(13,389)</b>	<b>(7,375)</b>

## NOTES TO THE COLLECTION FUND

### 60. 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.

For the year ended 31 March 2012, the band D Council Tax was set at £1,235.11 based upon a tax base of 106,459 (for 2010/11, £1,235.11 based upon a tax base of 103,692.4) and included the £309.82 requirement of the Greater London Authority (£309.82 in 2010/11).

The table below shows the calculation of the Council Tax Base for 2011/12.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,801	3,857.8	6/9	2,571.8
B	32,322	26,483.8	7/9	20,598.5
C	38,862	33,136.5	8/9	29,454.2
D	28,207	24,888.3	9/9	24,888.3
E	13,482	12,114.0	11/9	14,806.6
F	8,660	7,910.8	13/9	11,426.6
G	5,272	4,837.3	15/9	8,062.1
H	636	538.3	18/9	1,076.5
O				
<b>TOTALS</b>	<b>132,242</b>	<b>113,767</b>		<b>112,884.60</b>
<b>Adjustment for expected movements in property base</b>				(1,700.2)
				<b>111,184.38</b>
<b>Adjustment for collection rate</b>				(4,725.4)
<b>Tax base for Council Tax purposes</b>				<b>106,459.00</b>

**61. National Non-Domestic Rates** are organised on a national basis. Central Government specifies an amount, 43.3p in 2011/12 (41.4p in 2010/11) as the standard multiplier and 42.6p as the small business rate-relief multiplier (40.7p in 2010/11). Subject to the effects of transitional arrangements, local businesses pay rates which are calculated by multiplying their rateable value by this amount.

The Council is responsible for collecting rates due from the ratepayers in its area and then pays the proceeds into an NNDR pool administered by Central Government. Central Government then redistributes the sums paid into the pool back to local authorities' General Funds, on the basis of a fixed amount per head of population.

The NNDR income shown in the account for 2011/12 is based upon a total rateable value for the Council's area of £313.0m at 31 March 2011 (£315.0m at 31 March 2011).

### 62. Business Rate Supplements (BRS)

BRS were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. 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)*.

London Borough of 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 and as such is included in the Comprehensive Income and Expenditure Statement.

The accounting statement shows

- Amounts required by statute to be credited to the Collection Fund statement i.e. income collectable in respect of Business Rate Supplements and

- amounts to be debited to the Collection fund statement i.e. a) payments to levying authority's Business Rate Supplement Revenue Account and b) administrative costs.

The Greater London Authority (GLA – the Levying authority) has agreed that all requirements relating to BRS Crossrail will be met through the completion of the designated BRS 3 return.

### 63. Share of balances between London Borough of Lambeth and Greater London Authority

The Collection Fund Income and Expenditure Account is prepared on an accruals basis in accordance with changes introduced by the Code of Practice on Local Authority Accounting for 2009/10. The transactions of the Collection Fund are wholly prescribed by legislation.

Lambeth prepares its accounts as the major Billing agent with the requirement to include appropriate shares of the year end balances in both the Lambeth Council balance sheet and the balance sheet of our preceptor GLA. The apportionment is detailed in the table below.

	Total Collection Fund	London Borough of Lambeth	Greater London Authority (GLA)
	£'000	£'000	£'000
<b>Apportionment Basis</b>	<b>100.00%</b>	<b>74.92%</b>	<b>25.08%</b>
<b>Council Tax arrears</b>	<b>34,214</b>	25,633	8,581
		0	
<b>Impairment Allowance for doubtful debts</b>	<b>(27,749)</b>	(20,789)	(6,960)
<b>Council Tax overpayments and prepayments</b>	<b>(7,485)</b>	(5,608)	(1,877)
<b>Collection Fund (surplus)/deficit</b>	<b>(13,389)</b>	(10,031)	(3,358)
<b>Cash</b>	<b>14,409</b>	10,795	3,614

## PENSION FUND

PENSION FUND ACCOUNT	Note	2011/12		2010/11	
		£'000	£'000	£'000	£'000
Contributions And Benefits					
<i>Contributions:</i>	70				
From employers		38,103		35,006	
From employees		8,523		9,269	
Transfers in		5,572		8,933	
Income re equivalent contribution scheme		7		9	
		<u>52,205</u>		<u>53,217</u>	
<i>Benefits:</i>	72				
Pensions		(35,128)		(33,092)	
Commutations and lump sum retirement benefits		(9,183)		(6,534)	
		<u>(44,311)</u>		<u>(39,626)</u>	
<i>Leavers</i>	73				
Refunds to members leaving service		(18)		(33)	
Transfers out – Individuals		(5,588)		(10,494)	
State Scheme Premiums		(2)		(2)	
		<u>(5,608)</u>		<u>(10,529)</u>	
Administrative And Other Expenses Borne By The Scheme	74	<u>(779)</u>		<u>(856)</u>	
		<u>(50,698)</u>		<u>(51,011)</u>	
<b>Net investments from dealings with members</b>		<b>1,507</b>		<b>2,206</b>	
Returns on investments					
Income earned on investments	75	20,479		35,538	
Change in market value of investments		39,755		(21,889)	
Investment management expenses	77	<u>(1,457)</u>		<u>(2,671)</u>	
<b>Net return on investments</b>		<b>58,777</b>		<b>10,978</b>	
Net increase in the Fund during the year		<b>60,284</b>		<b>13,184</b>	
Opening net assets of the scheme		<b>778,272</b>		<b>765,088</b>	
Closing net assets of the scheme		<b>838,556</b>		<b>778,272</b>	

NET ASSETS STATEMENT	Note	Valuation	2011/12		2010/11	
			£'000	£'000	£'000	£'000
<b>Investment Assets</b>	78					
Fixed interest securities UK		Market Value		0		119,154
UK equities (shares) – quoted		Market Value		87,592		73,664
Overseas equities (shares) – quoted		Market Value		491		9,023
Index Linked Securities UK		Market Value		0		65,632
Cash Deposits				29,538		14,380
<b>Pooled Investment Vehicles</b>						
Pooled Funds		Market Value		9,398		9,348
Unit trusts		Market Value		677,070		419,911
UK unit trusts – property		Market Value		1,569		7,377
Private Equity		Market Value		32,522		27,948
Venture capital funds		Market Value		0		206
				<u>838,180</u>		<u>746,643</u>
<b>Current Assets</b>	84					
Investment income accrued			400		431	
Inland Revenue – tax claims			59		59	
Cash at Bank			<u>22,705</u>		<u>52,577</u>	
				23,164		53,067
<b>Current Liabilities</b>	85					
Inland Revenue			(8)		(10)	
Due to London Borough of Lambeth			<u>(22,780)</u>		<u>(21,428)</u>	
				(22,788)		(21,438)
<b>Net assets at 31 March</b>				<u>838,556</u>		<u>778,272</u>

## NOTES TO THE PENSION FUND

### 64. 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 detailed the outside bodies who had entered into agreement with Lambeth for pension and the membership detail as at 31 March 2012.

Employer	Active	Deferred	Pensioner
<b>Administrative Body</b>			
London Borough of Lambeth	4,055	6,981	6,234
<b>Scheduled Body</b>			
Lambeth Academy	35	34	1
Evelyn Grace Academy	12	9	0
Lambeth Living	299	87	35
Stockwell Park Academy	26	3	0
Johanna Primary Oasis Academy	19	0	0
<b>Admitted Bodies</b>			
Hyde Housing	4	15	11
Research Machines PLC	1	1	0
Age Concern	1	3	7
Excel Care	5	7	4
Turners Cleaning and Support Services	0	4	0
Pitney Bowes	4	3	1
<b>Community Admission Bodies</b>			
Metropolitan Housing Trust	2	3	2
United Resident Housing	14	2	0
Community Trust Housing	10	0	3
Wellington Mills	1	0	0
St Martins Community Partners	0	2	0
Metra Housing Co-Op	2	4	0
Ethelred TMO	1	9	0
Blenheim Gardens	9	2	0
Thorlands Action Group LTD	1	5	2
PACCA TMO	0	4	0
<b>Total</b>	<b>4,501</b>	<b>7,178</b>	<b>6,300</b>

The Pension Regulations specify which employees are eligible for membership and the service that is reckonable for benefit purposes. They also set out various rules for payment of contributions, calculation of benefits and refunds, as well as arrangements for the transfer values to and from other funds and schemes. With the passing of the Social Security Act 1986, the compulsory requirement for membership was removed and employees now have the right to choose whether or not to be members.

Under current legislation, pension contributions qualify for full tax relief. The Scheme is also contracted out of the Government State Second Pension Scheme, the effect of which is to slightly reduce the National Insurance Contributions paid by members of the Scheme (except women still paying the reduced rate). The compulsory retirement age for both male and female contributors is 65; however, earlier retirement with payment of benefits can be made under certain circumstances.

Membership in the Scheme as at 31 March 2012 was made up of 4,501 active members (5,151 in 2010/11), 6,300 pensioners (6,581 in 2010/11) and 7,178 deferred pensioners (6,642 in 2010/11).

## 65. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2011/12 financial year and its position at year end as at 31 March 2012. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 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 Note 83 of these accounts.

## 66. 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 the 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 2012.
- 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

## 67. 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 2012 was £32.5m (2010/11 £27.4m).

### 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 82. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actuarial present value of promised retirement benefits</b>	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 a increase in the pension liability of £117m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £24m, and a one year increase in assumed life expectancy would increase the liability by approximately £40m
<b>Private equity</b>	Private equity investments are valued at fair value in accordance with British Venture Capital association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2012 is £32.5m.	The total (called) private equity investments in the financial statements are £32.5m. There is a risk that this investment may be under-or overstated in the accounts.
<b>Hedge fund of funds</b>	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 £76.7m. There is a risk that the investment may be under -or overstated in the accounts. There is a tolerance of +/- 5% around the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £3.8m

## 69. Events after the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were authorised that require any adjustments to the accounts.



## 70. Total Contributions

a) Contributions from Employers	2011/12	2010/11
	£'000	£'000
Normal	23,103	21,856
Deficit Funding	15,000	13,150
<b>Total</b>	<b>38,103</b>	<b>35,006</b>

b) Total Contributions Received and Benefits Paid (2011/12)	Administering Body (Lambeth)	Scheduled Bodies	Admitted Bodies
	£'000	£'000	£'000
Contributions received	49,010	2,639	556
Benefits paid	43,561	750	0

## 71. Transfers in from other Pensions Funds

	2011/12	2010/11
	£'000	£'000
Individual Transfers	5,572	8,933

## 72. Benefits Payable

	2011/12	2010/11
	£'000	£'000
Pensions	35,128	33,092
Commutation and lump sum retirement benefits	8,619	5,455
Lump sum death benefits	564	1,079
<b>Total</b>	<b>44,311</b>	<b>39,626</b>

## 73. Payments to and on Account of Leavers

	2011/12	2010/11
	£'000	£'000
Refunds to members leaving services	18	33
Payments for members joining state scheme	2	2
Individual transfer	5,588	10,494
<b>Total</b>	<b>5,608</b>	<b>10,529</b>

## 74. Administrative Expenses

	2011/12	2010/11
	£'000	£'000
Pensions Administration	490	488
Pension Fund Administration	150	254
Additional Central Overhead Recharges (BVACOP)	139	114
<b>Total</b>	<b>779</b>	<b>856</b>

## 75. Investment Income

	2011/12	2010/11
	£'000	£'000
Interest Income	528	470
Dividends on Equities	19,913	12,016
Receipts and disbursements	1,047	89
Other	(1,009)	22,963
<b>Total</b>	<b>20,479</b>	<b>35,538</b>

## 76. Taxes on Income

	2011/12	2010/11
	£'000	£'000
Majedie Asset Management	431	259
Adam Street partners	83	0
<b>Total</b>	<b>514</b>	<b>259</b>

## 77. Investment expenses

	2011/12	2010/11
	£'000	£'000
Management Fees	1,322	1,391
Performance Monitoring Services	108	134
Custody Charges	26	27
Other	1	1,119
<b>Total</b>	<b>1,457</b>	<b>2,671</b>

The total management expenses incurred for the year was £ 4.3m in which only £1.4m was actually remitted; the remainder was deducted in the daily pricing of the individual portfolios

## 78. Investments

The table below shows a detailed breakdown of the investments held by the Pension Fund at the end of 2011/12 and 2010/11:

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>UK EQUITIES</b>				
<b>Resources</b>				
Mining	0		3,844	
Oil & Gas	13,500		9,186	
<b>Basic Industries</b>				
Construction and building materials	143		166	
<b>General Industrials</b>				
General Industrial	571		135	
Industrial Engineering	0		364	
Aerospace and defence	3,914		3,652	
<b>Non-Cyclical Consumer Goods</b>			0	
Health	2,307		1,536	
Pharmaceuticals	10,184		10,466	
Personal care and household products	313		256	
<b>Cyclical Services</b>				
General retailers	5,931		2,908	
Leisure, entertainment and hotels	5,852		1,450	
Media and photography	5,273		3,697	
Support services	5,493		5,047	
<b>Non-Cyclical Services</b>				
Food and Beverage	983		3,635	
Telecommunication services	10,232		7,611	
Electricity	2,656		1,333	
Gas Water & Multi-utilities	3,914		3,795	
<b>Financials</b>				
Banks	9,518		5,156	
Insurance	4,682		3,445	
Life assurance	0		1,084	
Real estate	0		392	
Financial General	1,141		2,708	
<b>Information Technology</b>				
Information technology hardware	574		747	
Software and computer services	411		1,051	
<b>Total UK Equities</b>		<b>87,592</b>		<b>73,664</b>

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>POOLED INVESTMENT VEHICLES</b>				
Managed Funds – non-property		9,398	9,348	
UK Unit Trusts		588,634	339,915	
Non-UK Unit Trusts Property		88,436	79,996	
Total Unit Trusts		686,468		429,259
<b>OVERSEAS EQUITIES</b>				
United States		216	341	
Europe		275	8,682	
<b>Total Overseas Equities</b>		<b>491</b>		<b>9,023</b>
Fixed Interest Securities UK – Public Sector quoted		0		27,971
Fixed Interest Securities UK – Corporate quoted		0		91,183
Index Linked Securities UK – Corporate quoted		0		65,632
UK Unit Trusts - Property		1,569		7,377
Private Equity		32,522		27,948
Venture Capital Funds		0		206
Cash Deposits		29,538		14,380
<b>TOTAL VALUE OF INVESTMENTS</b>		<b>838,180</b>		<b>746,643</b>

#### 79a Reconciliation of movements in investments and derivatives

Investment Managers	Opening balance	Purchases	Sales	Realised gain/(loss)	Transfer in/out of Fund	Unrealised gain/(loss)	Unanalysed movement	Closing balance	Total Movement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Aberdeen Bonds	71,066	2,928	(78,109)	9,316	0	(5,201)	0	0	(71,066)
Adams Street	27,947	4,689	0	0	0	(114)	0	32,522	4,575
Insight	0	210,198	(149)	3	19,000	7,968	0	237,020	237,020
Baillie Gifford	97,514	0	0	0	0	1,885	0	99,399	1,885
Blue Crest	22,993	0	0	0	0	245	0	23,238	245
Invesco	79,996	11,235	0	0	0	(2,795)	0	88,436	8,440
Majedie	92,016	43,564	(40,172)	3,430	0	(1,357)	0	97,481	5,465
MFS	94,465	120	0	0	0	5,780	0	100,365	5,900
PAAMCO	55,177	0	0	0	0	(1,762)	0	53,415	(1,762)
Principal	33,462	426	(9)	0	0	1,828	0	35,707	2,245
RREEF	2,155	0	(227)	0	0	(359)	0	1,569	(586)
Standard Life	36,304	0	0	0	0	3,186	0	39,490	3,186
UBS	19	0	(14)	(4)	0	(1)	0	0	(19)
UBS-Bonds	113,721	0	(113,205)	29,344	(19,000)	(10,860)	0	0	(113,721)
UBS-Property	5,222	0	(4,707)	(1,143)	0	628	0	0	(5,222)
Venture capital	206	0	(215)	190	0	(181)	0	0	(206)
Cash	14,380	0	0	0	0	0	15,158	29,538	15,158
<b>TOTAL</b>	<b>746,643</b>	<b>273,160</b>	<b>(236,807)</b>	<b>41,136</b>	<b>0</b>	<b>(1,110)</b>	<b>15,158</b>	<b>838,180</b>	<b>91,537</b>

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 £427k (£1,374k in 2010/11). In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within pooled investments.

#### 79b Analysis of Investments

	UK Equities	Pool Funds	UK Unit Trusts- Property	Overseas Equities	Private Equity	Unit trust	Cash	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adam Street	0	0	0	0	32,522	0	0	32,522
Baillie Gifford	0	0	0	0	0	99,399	0	99,399
Blue Crest	0	0	0	0	0	23,238	0	23,238
Invesco	0	0	0	0	0	88,436	913	89,349
Insight	0	0	0	0	0	237,020	1	237,021
Majedie	87,592	9,398	0	491	0	0	4,603	102,084
MFS	0	0	0	0	0	100,365	0	100,365
PAAMCO	0	0	0	0	0	53,415	0	53,415
Principal	0	0	0	0	0	35,707	0	35,707
RREEF	0	0	1,569	0	0	0	261	1,830
Standard Life	0	0	0	0	0	39,490	0	39,490
UBS- Equity	0	0	0	0	0	0	115	115
UBS - Bonds	0	0	0	0	0	0	17,228	17,228
UBS – Property	0	0	0	0	0	0	5,879	5,879
State Street	0	0	0	0	0	0	538	538
<b>TOTAL</b>	<b>87,592</b>	<b>9,398</b>	<b>1,569</b>	<b>491</b>	<b>32,522</b>	<b>677,070</b>	<b>29,538</b>	<b>838,180</b>

As at 31 March 2012, the total market value of the investments of the Fund was £838.2m (£746.6m as at 31 March 2011), of which 12.1% was managed by Majedie Asset Management and 80.8% was invested in unit trust vehicles by various managers. The remaining 7.1% was invested in property, private equity and held as cash. The table above shows the breakdown of the investments at market value between the managers.

Private Equity investment is valued at latest available estimated valuation - 31 March 2012. Overall, the Fund has committed 5% of the market value of the Pension Fund to be invested in private equity.

#### 79c. Security Lending

The Fund's investment strategy statements set the parameters for the Fund's stock lending programme. At the year end, the value of quoted equities on loan was nil (31 March 2011, £2.25m).

#### 79d. Fund's 20 largest investments were

	2011/12		2010/11	
	£'000	% of Fund	£'000	% of Fund
Majedie Asset Management SPEC SITS INV B NAV	9,399	1.12	9,348	1.21
BP PLC ORD USD 0.25	7,023	0.84	6,960	0.90
Vodafone Group ORD USD0.11428571	6,692	0.80	7,381	0.96
GlaxoSmithKline ORD GBP0.25	6,573	0.78	6,804	0.88
Royal Dutch Shell 'B'SHS EUR0.07	5,757	0.69	8,682	1.13
Astrazeneca ORD USD 0.25	3,611	0.43	3,662	0.48
BAE SYSTEMS ORD GP 0.025	3,595	0.43	3,231	0.42
HSBC Holdings ORD USD0.50(UK REG)	3,541	0.42	4,660	0.61
BT Group ORD GBP 0.05	3,540	0.42	0	0
Barclays ORD GBP0.25/	3,474	0.41	0	0
SSE Plc	2,656	0.32	0	0
Pearson ORD GBP 0.25	2,621	0.31	0	0
Marks and Spencer Group ORD GBP0.25	2,525	0.30	0	0
International Consolidated Airlines Group SA	2,497	0.30	0	0
National Grid Plc New ORD GBP 0.11395	2,429	0.29	0	0
ITV ORD GBP0.10	2,326	0.28	0	0
Smith & Nephew ORD USD0.20	2,307	0.27	0	0
AVIVA GBP0.25	2,140	0.25	0	0
Morrison(W) Super Market ORD 10P	1,855	0.22	0	0
Electro components ORD 10P	1,612	0.19	0	0
	<b>76,173</b>	<b>9.07</b>	<b>50,728</b>	<b>6.59</b>

During the year the Fund purchased investments totalling £273m (2010/11 - £173.2m) and sold investments to the value of £236.8m (2010/11 - £154.7m). The realised profit amounted to £41.1m (2010/11 £13.5m Profit).

#### 80. 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

### 80a. Classification of financial instruments

	2011/12			2010/11		
	Designated as fair value through profit & loss	Loans & Receivables	Financial Liabilities at amortised cost	Designated as fair value through profit & loss	Loans & Receivables	Financial Liabilities at amortised cost
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>						
Fixed interest securities	0	0	0	184,786	0	0
Equities	88,082	0	0	82,687	0	0
Pooled Investments	686,469	0	0	429,259	0	0
Pooled property Investments	1,569	0	0	7,377	0	0
Private Equity	32,522	0	0	27,948	0	0
Cash	0	52,243	0	0	66,957	0
Other Investment Balances	0	0	0	206	0	0
Debtors	0	459	0	0	491	0
	808,642	52,702	0	732,263	67,448	0
<b>Financial Liabilities</b>						
Creditors	0	0	(22,788)	0	0	(21,439)
<b>Total</b>	<b>808,642</b>	<b>52,702</b>	<b>(22,788)</b>	<b>732,263</b>	<b>67,448</b>	<b>(21,439)</b>

### 80b. Net gain and losses on financial instruments

	2011/12	2010/11
	£'000	£'000
<b>Financial Assets</b>		
Fair value through profit and loss	39,755	21,889
Loans & Receivables	0	0
Financial Liabilities at amortised cost	0	0
<b>Financial Liabilities</b>		
Fair value through profit and loss	0	0
Loans & Receivables	0	0
Financial Liabilities at amortised cost	0	0
	<b>39,755</b>	<b>21,889</b>

### 80c. Fair Value of financial instruments and liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

	2011/12		2010/11	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
<b>Financial Assets</b>				
Fair value through profit and loss	754,264	808,642	668,436	732,263
Loans & Receivables	52,702	52,702	67,448	67,448
	<b>806,966</b>	<b>861,344</b>	<b>735,884</b>	<b>799,711</b>
<b>Financial Liabilities</b>				
At amortised cost	-22,788	-22,788	-21,439	-21,439
	<b>-22,788</b>	<b>-22,788</b>	<b>-21,439</b>	<b>-21,439</b>
<b>Total</b>	<b>784,178</b>	<b>838,556</b>	<b>714,445</b>	<b>778,272</b>

### 80d. 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 2012	Quoted market price	using observable inputs	With significant unobservable inputs	Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss				
<b>Equity</b>				
Majedie	97,481	0	0	<b>97,481</b>
<b>Unit Trust</b>				
Insight	237,020	0	0	<b>237,020</b>
Blue crest	0	23,238	0	<b>23,238</b>
Principal	0	35,707	0	<b>35,707</b>
MFS	100,365	0	0	<b>100,365</b>
Standard Life	39,490	0	0	<b>39,490</b>
PAAMCO	0	53,415	0	<b>53,415</b>
Baillie Gifford	0	99,399	0	<b>99,399</b>
<b>Property- Unit trust</b>				
RREEF	0	0	1,569	<b>1,569</b>
Invesco	0	88,436	0	<b>88,436</b>
<b>Private Equity</b>				
Adam Street	0	0	32,522	<b>32,522</b>
	<b>474,356</b>	<b>300,195</b>	<b>34,091</b>	<b>808,642</b>

### 81. Nature and extend 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.

#### **81a. (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 2012/13 reporting period.

Asset Type	value as at 31 March 2012	Percentage Change	value on Increase	value on decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	52,243	0	52,243	52,243
<b>Investment Portfolio assets:</b>				
UK Equities	87,592	15.22%	100,924	74,260
Global Equities- Unit Trust	200,255	14.62%	229,532	170,978
Property - Unit Trust	90,005	5.80%	95,225	84,785
Active currency - Unit Trust	35,707	7.39%	38,346	33,068
Diversified Growth - Unit Trust	39,490	6.00%	41,859	37,121
Hedge Fund - Unit Trust	76,653	3.90%	79,642	73,664
Corporate Bond - Unit Trust	237,020	5.22%	249,392	224,648
Private Equity	32,522	10.39%	35,901	29,143
Pooled Funds	9,398	0	9,398	9,398
Investment income Due	459	0	459	459
Amount payable to Inland revenue	(8)	0	(8)	(8)
Amount payable to LB Lambeth	(22,780)	0	(22,780)	(22,780)
<b>Total assets available to pay benefits</b>	<b>838,556</b>		<b>910,134</b>	<b>766,978</b>

#### **81a (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 the interest rates and assessment of the actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2012 is set out below. Those disclosure presents interest rate risk based on the underlying financial asset at fair value.

Asset Type	carrying amount as at 31 March 2012	Change in year in the net assets available to pay benefits	
	£000	+100BPS	-100BPS
Cash Balances	52,243	522	(522)
<b>Total change in assets value</b>	<b>52,243</b>	<b>522</b>	<b>(522)</b>

#### **81a (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 2012	Percentage Change	Change in year in the net assets available to pay benefits	
	£000	%	£000	£000
Global Equities	199,764	6.50%	212,749	186,779
Private Equity	32,522	9.80%	35,709	29,335
Property	88,436	5.40%	93,212	83,660
<b>Total change in assets value</b>	<b>320,722</b>		<b>341,670</b>	<b>299,774</b>

### 81b.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 2012 as follows:

Summary	Rating	31-Mar-12 £000	31-Mar-11 £000
<b>Bank deposits account</b>			
Royal Bank of Scotland	A	22,705	52,577

### 81c.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 2012 the value of illiquidity asset was £34.1m, which represented 4.1% of the total Fund assets

## 82. 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 2010. The next valuation will take place as at 31 March 2013.

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; and
- 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 3.3% per annum
  - Rate of future pension increases at 3.3% per annum
  - Rate of future pay increases at 5.3% per annum\*
  - Discount rate at 6.1%.
- (\*1% p.a. for 2010/11, 2011/12, reverting to 5.3% p.a. thereafter)

At 31 March 2010, the scheme's assets were £765m and the actuarial value of the assets was sufficient to cover 72.5% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In order to achieve 100% coverage by the end of the average expected working lifetime of the current contributors, an

employer's contribution rate of 16.8% per annum of payroll, plus an additional monetary sum of £16m per annum, based on the assumption that the deficit is funded over 20 years from 1 April 2011.

### 83. Actuarial Present Value of Promised Retirement Benefits

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 the accompanying actuarial report on page 163

### 84. Current Assets

	2011/12 £'000	2010/11 £'000
Investment income accrued	400	431
Inland Revenue - tax claims	59	59
Cash at Bank	22,705	52,577
<b>Total</b>	<b>23,164</b>	<b>53,067</b>

### 85. Current Liabilities

	2011/12 £'000	2010/11 £'000
Inland Revenue	8	10
Due to London Borough of Lambeth	22,780	21,428
<b>Total</b>	<b>22,788</b>	<b>21,438</b>

### 86. 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 2012.

Name	Total contribution £'000	Value of fund £'000
Prudential	265	845
Equitable Life	21	543
Clerical Medical	31	210
<b>Total</b>	<b>317</b>	<b>1,598</b>

### 87. Related Party Transactions

The Fund is required under IAS 24 to disclose details of material transactions with related parties.

Name	2011/12 £'000	2010/11 £'000
Administration expenses paid to the council	779	856
Short term borrowing	(22,780)	(21,428)

The Council is a related party to the Pension Fund. Details of the expenses refunded to the Council are set out above. Details of total contributions made in the year are set out in note 70 to the accounts. During the year, no Trustees or Council Chief Officers with direct responsibility for the Pension Fund have undertaken transactions with the Pension Fund.

Two of the five councillors on the Pension Fund Investment Panel were members of the Pension Fund.

### 88. Contingent Liabilities

Outstanding capital commitments in the form of investments at 31 March 2012 totalled £14.4m (£18.95m at 31 March 2011). 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

#### **89. 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.

#### **90. Impairment Losses.**

There is no recognised impairment loss during the financial year

## 91. ACTUARIAL VALUATION OF RETIREMENT BENEFITS

### *Pension Fund Accounts Reporting Requirement*

#### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2011/12 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19. There are three options for its disclosure in pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

I have been instructed by the Administering Authority to provide the necessary information for the London Borough of Lambeth Pension Fund, which is in the remainder of this note.

#### Balance sheet

Year ended	31 March 2012	31 March 2011
	£m	£m
<b>Present value of Promised Retirement Benefits</b>	<b>1,278</b>	<b>1,146</b>

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2010. I estimate this liability at 31 March 2012 comprises £427m in respect of employee members, £366m in respect of deferred pensioners and £485m 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, I am satisfied the aggregate liability is a reasonable estimate of the actuarial present value of benefit promises. I have not made any allowance for unfunded benefits.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

#### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report as required by the Code of Practice. These are given below. I estimate that the impact of the change of assumptions to 31 March 2012 is to increase the actuarial present value by £43m.

## Financial assumptions

My recommended financial assumptions are summarised below:

Year ended	31-Mar-12 % p.a.	31-Mar-11 % p.a.
Pension Increase Rate	2.5%	2.8%
Salary Increase Rate	4.8%*	5.1%**
Discount Rate	4.8%	5.5%

\*Salary increases are 1% p.a. nominal for the three years to 31 March 2015 reverting to the long term rate thereafter

\*\*Salary increases are 1% p.a. nominal for the period to 31 March 2012, reverting to the long term rate thereafter

## Longevity assumption

As discussed in the IAS19 report referred to below, the life expectancy assumption is based on the Fund's standard "SAPS" tables with improvements from 2007 in line with Medium Cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.1 years	22.9 years
Future Pensioners*	22.0 years	24.8 years

\*Future pensioners are assumed to be aged 45 at the last formal actuarial valuation

This assumption is the same as at 31 March 2011.

## 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 post-April 2008 service.

## Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2012 for IAS19 purposes' dated May 2012. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.



Peter Summers FFA

29 May 2012

For and on behalf of Hymans Robertson LLP

## A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

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

### **Accounting Policies**

Rules and Practices adopted by the council that dictate how transactions and events are shown

### **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.)

### **Actuary**

An independent professional who advises on the position of the pension fund.

### **Acquired operations**

A business or a service taken over as a going concern by the authority. Income and expenditure directly related to acquired operations shown separately on the face of the Comprehensive Income & Expenditure Statement.

### **Balances**

The non-earmarked capital or revenue reserves of an authority, made up of the accumulated surplus of income over expenditure on the General Fund and the Housing Revenue Account. Revenue balances may be utilised to provide for unforeseen circumstances or to ensure that payments can be made pending the receipt of income, and may be used to reduce the Council Tax levy.

### **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

### **Budget**

The Council's aims and policies set out in financial terms, against which performance is measured. Both capital and revenue budgets are prepared.

The **revenue** budget is a financial statement of planned expenditure required to deliver the Council's policies over the financial year. It is illegal to set a budget in excess of available resources.

The budget requirement is calculated in advance of each year. It is, broadly, estimated net revenue expenditure as funded by Formula Grant and council tax.

### **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"

### **Capital Receipts**

These represent income over £10,000 from the sale of the Council's assets. Receipts can only be used to finance other capital expenditure or repay outstanding debt on assets financed from loan

### **The Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the accountancy body which represents at national level the interests of local government and public service finance. As well as awarding public sector specific accountancy qualifications the Institute also produces advice, codes of practice, and guidance to local authorities on best practice.

## **CIPFA Code of practice on Local Authority Accounting UK 2011/12**

Known as “the Code”, this specifies the principles and practices of accounting required to prepare a Statement of Accounts which “presents a true and fair view” of the financial position and transactions of an authority. It replaces the Statement of Recommended Practice (SoRP).

### **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.”

### **Consistency**

The concept of consistency states that the accounting treatment of like items within an accounting period, and from one period to the next, is the same, to facilitate comparisons.

### **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.

### **Corporate and Democratic Core (CDC)**

This is a category in the net cost of services in the Comprehensive Income and Expenditure Statement. It incorporates the following sub-divisions, the activities of which cannot be charged to services under the Service Reporting Code of Practice for Local Authorities:

- Democratic Representation and Management costs – includes all aspects of Members’ activities including corporate, programme and service policy making, general governance and representing local interests
- Corporate Management costs – concerns those activities which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information required for public accountability

### **Creditors**

A party to whom the Council owes money at year end for goods and services supplied in year.

### **Current liabilities**

Those amounts which will become payable or could be called upon within the next accounting period e.g. creditors and cash overdrawn.

### **Debtors**

A party owing money to the Council at year end for goods and services supplied in year supplied to them by the Council.

### **Depreciation**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passing of time or obsolescence through technological or other changes. 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. This is covered by FRS 15

**Discontinued operations**

An operation is classified as discontinued if all the following conditions are met:

- a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- b) the activities related to the operation have ceased permanently;
- c) the termination of the operation is material to the overall activity of the authority.

**Employee costs**

Pay and associated costs, such as National Insurance and pension contributions.

**Exceptional items**

Material items which derive from events or transactions that fall *within the ordinary activities of the authority* and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Extraordinary items**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall *outside the ordinary activities of the authority* and which are therefore expected not to recur frequently or regularly.

**Fair value**

The fair value of a fixed asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Financial Reporting Standard (FRS)**

A statement of Practice which follows UK Generally Accepted Accounting Principles when dealing with a discrete area of financial accounting.

Most of these have now been superseded by International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS); but in some areas, the previous standards remain in effect.

**Fund**

A major division of the Council's accounts, for example the General Fund or the Collection Fund. It is sometimes also used in a different sense to designate an earmarked reserve.

**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.

**Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets in return for past or future compliance with certain conditions relating to the activities of the authority.

**Gross expenditure**

The total cost of providing services before deducting any income.

**Heritage Assets(FRS 30)**

Are tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in Trust for future generations because of their cultural, environmental, environmental or historical associations

**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.



**International Accounting Standards (IAS)**

The earlier standards issued by the International Accounting Standards Committee (IASC) now superseded by the International Accounting Standards Committee (IASB).

**International Financial Reporting Interpretations Committee (IFRIC)**

the interpretative body of the International Accounting Standards Board (IASB) that reviews newly identified financial reporting issues not specifically addressed in IFRS or issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop, with a goal to reach a consensus on the appropriate treatment.

**International Financial Reporting Standards (IFRS)**

Principles-based Standards, Interpretations and the Framework adopted by the International Accounting Standards Board. While the standards themselves are not new – the first International Accounting Standard was issued in 1973 – the use of them in UK local authority accounting is, 2010/11 being the first full year of accounting under IFRS.

**Income**

Monies received or due from rents, fees and charges for services, specific grants and investment interest.

**Investments**

In the context of the Statement of Accounts, this term refers only to long-term investments which are intended to be held for use on a continuing basis in the activities of the authority. Where investments do not meet this criterion, they have been classified as current assets.

**Local Authority (Scotland) Accounts Advisory Committee (LASAAC)**

LASAAC develops and promotes proper accounting practice for local government in Scotland, where legislation means that separate interpretations of accounting standards may be required. As such, many CIPFA documents are jointly “badged” with LASAAC, even when they apply outside Scotland.

**Lease**

These can be either:

- **Finance lease** – a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee; such leases are recognised on the balance sheet
- **Operating lease** – a lease other than a finance lease, this is not recognised on the balance sheet.

The distinction between the two is the subject of an array of tests and is highly technical.

**Liabilities**

Those amounts which will become payable by the Council in the short or long term.

**Locally Managed Schools (LMS) balances**

Reflects the unspent balance of the delegated schools budget, i.e. the budget relating to those schools under local authority control (as opposed, for example to academies or free schools, which are directly funded by Government; or independent schools which are privately funded.)

**Long-term contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service, where the time taken substantially to complete the contract is such that the contract falls into different accounting periods i.e. “straddles” two or more financial years.

**LSVT**

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

**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 (MIR)**

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.

**National Non-Domestic Rates (NNDR)**

A national rate, often familiarly called "business rates", levied on businesses by the Government and collected by local authorities on the Government's behalf. The total proceeds are redistributed between local authorities on the basis of the Government's relative needs formula for each authority.

**Net Book Value (NBV)**

The amount at which long-term assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net expenditure**

Gross expenditure less income.

**Net Realisable Value (NRV)**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**Non-Current Assets**

Non-Current assets are held by the council but not used or consumed in the delivery of services e.g. investment properties and assets that are surplus to requirements

**Post balance sheet event**

The occurrence of a material event between the balance sheet date and the date the accounts are authorised for issue, which might have a bearing on the financial results of the organisation. In such cases the event should be reflected in the Statement of Accounts as a note or amendment.

**Precept**

A charge on the Collection Fund by another public body (a precepting authority), determined by legislation. The Greater London Authority, for example, obtains some of its income by precepting the Collection Funds of the London boroughs. The billing authority is required to pay over the amount demanded on agreed dates.

**Prior year adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

**Private Finance Initiative**

Government initiative under which the council buys the service of a private sector supplier to Design, Build, Finance and Operate a public facility

**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.

**Public Works Loans Board (PWLb)**

Public Works Loans Board (advances loans to local authorities)

**Rateable Value (RV)**

The value of a business, assessed by the Valuation Office Agency, on which business rates are payable.

**Recharges**

The transfer of costs from one account to another; more generally, an internal charge for services provided by one part of the Council to another part, such as printing and accountancy services, to reflect more accurately the true cost of the services delivered to the public.

**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.

**Related Party Transactions**

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

**Reserves**

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.

**Revenue expenditure and income**

The regular day to day running costs an authority incurs in providing services, as distinct from **capital** expenditure (under the Local Government & Housing Act 1989, all expenditure is regarded as revenue unless specifically classified as capital.) In a general sense, revenue expenditure (and income) arises from recurring items such as running services, interest, and annual debt repayments.

**Revenue Support Grant (RSG)**

The main grant paid by Central government to the Council towards the costs of all its services

**Running expenses**

Regular revenue expenses other than employee costs; for example, costs related to premises, transport or supplies and services.

**Service concession arrangement**

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

**The Service Reporting Code of Practice for Local Authorities (SeRCOP)**

From 2011/12 this is the new name for the Best Value Accounting Code of Practice (BVACOP) which, amongst other things, provides a standard categorisation for expenditure and income in local authority accounting to enable comparison between two or more organisations.

**Short-term Accumulating Compensated Absences Account (STACAA)**

The IAS 19 STACAA reflects a requirement under the interpretation of "IAS 19 Employee benefits" as it applies to local government, to provide each year for the likely charge to the accounts of the accrual for time off or wages owed to staff due to timing differences. A provision must be made for the estimated impact and an (unusable) reserve to hold any differences between the estimate and the actual impact.

**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.

**Statement of Total Recognised Gains and Losses (STRGL)**

Formerly a discrete financial statement bringing together all gains and losses experienced by the Council, this now forms the bottom part of the Comprehensive Income and Expenditure Statement.

**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.

**Usable capital Receipts**

The proportion of capital receipts which the council is able to use for capital spending purposes and which is not set aside either to redeem debt or pay to the Central Government.

**Useful Life**

The period over which the local authority expects to derive benefits from the use of a fixed asset and over which, typically, it will be depreciated.

**Work in progress**

The cost of the work completed on a project which remains unfinished at year end.

