Lambeth

2016/2017

Audited

Statement of Accounts

CONTENTS

The Council's Statement of Accounts for the year 2016/17 has been prepared in accordance with the Accounts and Audit Regulations 2016 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2016/17. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

The accounts comprise the following: -

THE NARRATIVE REPORT BY THE CHIEF FINANCE OFFICER

Introduction

I'm pleased to be able to present this year's Statement of Accounts with this Narrative Report. This is the opportunity to expand on the Council's wider financial position, and to set it within the context of what is being achieved.

With the Government's ongoing austerity agenda, over recent years there have been unprecedented reductions in the Government funding coming to local authorities, and inner London has been hit particularly hard by this. Funding from Government has been reduced by more than 50 % since 2010. On the current trajectory of cuts in Government funding the revenue support grant that supports local government expenditure will have been completely phased out by 2020. Instead local government will have to rely on the retained business rates and the opportunities and risks that brings to local government finance.

As a result of the funding reductions Lambeth has made savings and efficiencies of £191.9m up to the end of 2016/17 since 2010. £40m savings were achieved in 2016/17 and the Council's Budget report published on 6 February 2017 identified the need for a further £55.3m of savings over the next three years in order to manage the cut in core funding from Government, inflation and increasing demand as well as the transfer of risk from central government around business rates and council tax support.

In response to these changes, the challenge to the Council is clear: ensure that every pound spent is spent as efficiently and effectively as possible on delivering the outcomes required; furthermore, make the most of opportunities to identify and increase resources available to invest back in to services.

Delivery of the 2017/18 £17m budgetary reductions poses a significant challenge and will be supported by a procurement policy focused on delivering cost savings and a rigorous challenge on value for money. The governance arrangements through the Future Lambeth Board will continue to ensure that there is corporate oversight of the delivery of savings proposals and a balanced budget during 2017/18.

There are a number of complex risks that the council faces going forward that will have an impact on the council to manage its financial planning over the medium to long term. The decision to leave the European Union is one of these, but at this stage it is impossible to quantify with even indicative numbers. The other main themes are addressed in more detail in this report.

Despite the difficult budget challenge the financial position of the council remains sound. The General Fund outturn for 2016/17 was £281.814magainst a budget of £281.904m, supported by a contribution from earmarked reserves and the appropriate use of contingency. The Housing Revenue Account (HRA) out turned on budget, whilst adding to reserve balances.

The Council's ambitious capital investment programme aligned to the council's priorities saw £221.7m invested in our schools, council homes, highways, parks and open spaces.

Financial Risks

Business Rates Retention Scheme

The introduction of the Business Rates Retention Scheme provided an incentive for authorities to grow their business base by virtue of retaining a proportion of business rates growth achieved, in Lambeth's case 30%. However, it also means that Councils must manage the down side of changes to the business rate base, and as Business Rates are susceptible to economic downturns, and as our funding reliance grows in respect of Business Rates, the future risk around this important funding stream further increases

The Government is to continue with its plans to allow Councils to retain full business rates by 2020. It is unclear as to the exact year this will happen; current information suggests it could happen in 2019/20 or 2020/21. The Department for Communities and Local Government (DCLG) has said that there will be a full re-examination of levels of need in Council areas as part of the full devolution of business rates to authorities, and a new way to assess need would be developed as part of their distribution system for retention. It is not possible to speculate on the results of this as it appears that the criteria for the review are as yet unknown. Once we have full devolution of Business Rates, we will see both the grant from Whitehall end and additional responsibilities passed to us in exchange for the additional funding from this new regime. The DCLG maintains the stance that the switch will be fiscally neutral.

The Government is piloting arrangements for 100% business rates retention ahead of the planned full implementation in 2019-20. The London pilot is currently restricted to the transfer of funding for TfL capital and Revenue Support Grant to the GLA, with its share of retained rates increasing from 20% to 37% while funding. Discussions are ongoing between London Councils, the GLA and DCLG on a more extensive London Pool with decision expected in the autumn; and if agreed the pool to be in place for 2018-19. The pilot would start from the principle that no authority would be worse off simply as a result of agreeing to participate, and could bring significant financial and political benefits, even from a single year of operation.

Welfare Reform

The Council currently holds significant debt relating to Housing Benefits Overpayments on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. Resources have been allocated in order to try and collect more of the debt and it is under continual review due to the scale of risk attached.

Responsibility for Housing Benefit Payments transfers to the DWP under Universal Credit. Universal Credit was introduced in Lambeth from February 2016 to a limited number of new benefit claimants. Expansion to all new benefit claimants and those with a change in circumstances is expected in December 2017 (Brixton and Stockwell Jobcentres) and February 2018 (Streatham and Clapham Jobcentres). Some Lambeth residents will be affected earlier if they are in the catchment area for a Southwark Jobcentre. Currently we are able to manage the recovery of over payments by the reduction of current claimants' payments. This flexibility will be removed when the claimants transfer onto Universal Credit. Migration to Universal Credit for claimants of existing benefits is expected to take place after 2019.The ultimate risk is the Council will be left with the historic Housing Benefit debt when the service transfers to the DWP.

Public Health

The ring-fenced Public Health Grant was based on historic funding in the NHS which transferred to Councils. Following the 2015 election, the Government announced in year cuts of 6.2% to Public Health which totalled a reduction of £1.9m for Lambeth in 2015/16 and £0.7m in 2016/17. In the period 2017/18 to 2019/20 the grant will be reduced by a further £2.5m, approximately £0.8m per year.

New Homes Bonus (NHB)

Changes by Central Government have led to a funding reduction of £7.7m for Lambeth, caused by a number of factors. These include the switching of funding from NHB to the one-off adult social care grant and the transition from six year payments to four. Additionally, the Government has confirmed that from 2017/18 onwards, only growth above 0.4% will attract NHB payments. The Government will also retain the option of making adjustments to the baseline in future years to reflect significant and unexpected housing growth.

The Government is seeking for Councils to have local plans in place by 2018/19. The Government has confirmed that it will not implement a proposal to withhold NHB payments for areas without a local plan in 2017/18, but will revisit the issue for 2018/19. The proposal is to withhold payments where no local plan is available would mean no new NHB payments would be made, but the legacy payments would be protected. As part of the Settlement 2017/18 the Government also advised that they would be reducing payments for homes built on appeal utilising data produced by the Planning Inspectorate.

Dedicated Schools Grant (DSG)

In December 2016, the Department of Education launched the second phase consultation for School funding, providing detailed proposals for the design of the new national funding formulae for schools and high needs, and for the new central school services block for local authorities. Analysis by London Councils suggests that around 70% of London schools will receive less funding as a result of the changes with Lambeth being amongst the worst affected. All 77 Lambeth mainstream schools will see funding reductions of -1.4% in 2018/19 with a further -1.4% in 2019/20.

At the same time the funding arrangements for early year’s settings will see a reduction in the level of funding that can be retained by the Council which will fall from £2.8m to £1.6m in 2017/18.

Education Services Grant (ESG)

The November 2015 Spending Review announced that further savings of around £600m would be made from the Education Services Grant. It has now been confirmed that the ESG will cease from September 2017 with transitional funding being provided for local authorities from April to August 2017. The current level of ESG in 2016/17 was £2.9m but falls to £1.5m in 2017/18.

Reserves

Reserves	Balance at 31/03/2015 £’000	Movement In Year £’000	Balance at 31/03/2016 £’000	Movement In Year £’000	Balance at 31/03/2017 £'000
General Fund Balance	(23,615)	1,179	(22,436)	(88)	(22,524)
GF Earmarked Reserves*	(63,784)	14,728	(49,056)	17,321	(31,735)
General Fund Total	**(87,399)**	**15,907**	**(71,492)**	**17,233**	**(54,259)**
HRA Balances	(10,037)	(709)	(10,746)	0	(10,747)
HRA Earmarked Reserves	(26,512)	(15,453)	(41,965)	(3,219)	(45,184)
HRA Total	**(36,549)**	**(16,162)**	**(52,711)**	**(3,219)**	**(55,931)**
Council Total	**(123,948)**	**(255)**	**(124,203)**	**14,014**	**(110,189)**

GF Earmarked Reserves have been presented here with CIL monies stripped out so as to facilitate better comparison with previous years.

Overall, earmarked General Fund earmarked reserves have fallen quite sharply over the last two years, from £63.8m as at 31 March 2015, to £31.7m in 2017. Taken together with the fall in GF balances from £23.6m to £22.5m over the same period, it presents a clear reflection of the pressures falling on the authority's finances.

Over the next few years, the planned use of reserves to manage risks, meet the costs of transformation, and provide funding for investment will be key to the success of the authority.

In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. It has therefore been possible to increase reserves from £36.5m as at 31 March 2015 to £55.9m in 2017, in readiness for investment in better quality housing, and to deal with potential risks.

Capital Investment Programme (CIP) - Growth and Funding

The Council set out an ambitious plan for Capital investment for the 4 financial years of the current political administration 2014/15 –2017/18. This comprised those projects formally incorporated into the CIP of £786.4m together with planned investments totalling £25.5m held in the capital pipeline

This is the investment needed to maintain and enhance our existing estate together with investment in developing our asset base through transformational upgrades or new build/acquisition. The target for the current 3 year future planning cycle 2017/18 –2019/20 is a CIP of £173.4m.

The receipts from the Community Infrastructure Levy are now starting to accumulate which is opening up new opportunities, both for investment in strategic infrastructure assets as well as for capital investment decisions at neighbourhood level as informed by the Co-operative Local Investment Plans.

Together with external grant income, income from growth will need to be the Council's main source of funding to meet capital investment needs as capital receipts from rationalisation of the Council's existing asset base are now dwindling. The current forecast non-RTB disposal receipts for the next 2 years 2017/18 and 2018/19 is £25.1m. Although the forecast for income from growth remains strong, if the development does not happen, this income will fall away.

The Council is undertaking a huge range of significant regeneration projects in areas right across the borough including Waterloo, Vauxhall and Nine Elms, Tulse Hill and West Norwood as well as Future Brixton (encompassing Your New Town Hall, Somerleyton Road and Brixton Central).Capital funding is also being prioritised for the continued maintenance and enhancement of our existing assets with a number of key capital strategies now well underway including Culture 2020, the Parks Investment strategy and the Highways Improvement strategy. The investment of £10m each year since 2012/13 in our footways and carriageways has seen a dramatic improvement in the condition of our roads right across the borough.

The Council is part-way through a substantial programme of Housing schemes which will both improve our existing housing and provide new, genuinely affordable homes for our residents. The Housing capital programme is primarily investing in improvements to bring existing dwellings up to the Lambeth Housing Standard (LHS) which is above the Decent Homes Standard. The capital programme also includes a major initiative to improve sheltered housing schemes together with improvements to Private Sector Housing and disabled facilities grant funded schemes.

The Council is also progressing a number of different strategies to maximise the delivery of new affordable homes within the borough. The Council has pledged to deliver 1,000 additional new homes at Council rent levels over 5 years and is progressing innovative approaches such as the Somerleyton Road scheme as well as small sites initiatives such as St Oswald's and Akerman Road together with negotiations to maximise the potential benefits from S106 obligations. In addition, the estate regeneration programme is focusing on the renewal of and investment in Lambeth-owned Council estates; improving the living conditions for existing residents whilst also seeking to build new housing which can be rented at a genuinely affordable rent level.

Our challenge remains how to optimise these investment opportunities, enlarging and revitalising our estate to support the expected population growth in the Borough whilst at the same time ensuring that the Council is not left facing a high cost burden of maintenance and lifecycle replacement of these new assets which can no longer be met from dwindling revenue resources.

There is therefore a continued focus on using our assets as a corporate resource to support and enable the Council to deliver on its strategic priorities. In particular, there is a focus on how to use assets to generate on-going revenue income or realised revenue savings where possible since this will give the Council the greatest financial flexibility.

In response to these challenges and together with the apparent market failure in delivering social and affordable homes combined with the significant increase in house prices and private rents, the Council has taken the decision to establish Home for Lambeth, a council owned house builder, housing association and private rented landlord to build more and better homes and contribute towards the Council's target of 1,000 new homes at Council rent. Homes for Lambeth with allow the Council to build homes of a range of tenures for people on a range if incomes and provide a better deal for private renters by building homes with long tenancies, proper management and rent stability.

Sources of Funding for the Capital Investment Programme

Over the next three years the financing arrangements confirmed for the Capital Investment Programme are as follows:

Funding Source	Total 3 Year CIP	
	£000's	%
Grants	(28,188)	16%
S106	(8,624)	5%
Borrowing	(65,100)	38%
S20 Receipts	(3,314)	2%
Capital Receipts	(16,787)	10%
Recycled RTB (1-4-1) Receipts	(750)	0%
Internal Borrowing	(47,114)	27%
Earmarked Reserve / Revenue	(3,500)	2%
Total	**(173,377)**	**100%**

Borrowing

The Council has not undertaken any new long-term borrowing from external sources since 2006/7 , and the sum total still stands at £412.7m, which has remained constant for the last 5 financial years.

It should also be noted that the Council holds long-term creditors of £139.6m which relate to arrangements for service concessions (finance leases or PFI), most of which is paid for by PFI grants received from central government.

HRA Self-Financing

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

Pension Fund Revaluation and Pension Liability

The triennial valuation of the Pension Fund took place in 2016, which outlined the contribution rates required by the Council in future to meet its Pension scheme liabilities. The contribution rates came into effect on 01 April 2017 and will remain in place until the next valuation i.e. 31 March 2020.

Within the Fund, the net assets grew from £1.142bn to £1.321bn, despite the volatile market conditions in the UK and globally.

The net pension liability of the Council is broader than that of the Pension Fund, because it includes liabilities relating to employees with pensions managed by the London Pension Fund Authority (LPFA). This overall liability has increased from £599m to £631m however, this is more the result of a change in the actuarial assumptions, rather than underlying performance of the Fund's investments. Please see the Pension Fund accounts themselves for more details.

Summary of Financial Performance in the Year

2016/17 Revenue Outturn – General Fund

The 2016/17 General Fund budget was £281.9m. The overall outturn position was an underspend of £0.088m, but only after drawing down significant amounts of earmarked reserves (£17.3m in total).

Furthermore, below this top-level figure, it should be noted that there was an overspend in Services, which was offset by an underspend in corporate items. The outturn by department is as below:

	FY Budget £'000	FY Actual £'000	FY Variance £'000
Adults & Public Health	91,819	94,319	2,500
Children's Services	75,442	87,237	11,795
Neighbourhoods & Growth	45,937	39,736	(6,201)
Corporate Resources	59,987	58,310	(1,677)
NRPF	4,267	4,001	(266)
Corporate Items	4,450	(1,789)	(6,239)
TOTAL - GF	**281,902**	**281,814**	**(88)**

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

- Children's Services - £11.8m arising from an overspend in Special Education Needs (SEN) costs, including SEN transport, and an overspend on residential placements. There are underlying known pressures within the area and some of the overspend related to one off prior year costs which had not been anticipated. Risks have been highlighted for the 2017/18 year and mitigating action are being taken to minimise pressures within this area.
- Adult Social Care - £2.5m Pressures across older people, mental health and adult disability services contributed to the overspend.

There were also services which were able to outturn with underspends:

- Temporary Accommodation - £1.3m
- Parking - £1.1m
- Procurement - £2.2m

2016/17 Revenue Outturn – Housing Revenue Account

The Housing Revenue Account gave a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £10.7m together with total earmarked reserves of £45.2m – the net movement attributable in part to preparing to deal with risks, and also to contributions to Housing Capital Reserves in preparation for long-term planning.

2016/17 Capital Outturn

The Authority originally planned to invest £286.9m capital in the financial year 2016/17 and spent £221.7m. The unspent funds have been rolled forward to fund revised expenditure projections for future years.

The details of Capital Expenditure in 2016/17 by Community Outcome are shown below:

Strategic Priority	10 Year Outcome	CIP Outturn 2016/17 £000
Creating Inclusive Growth	**Increase Investment and regeneration in Lambeth**	**660**
	Lambeth Town Centres’ Regeneration	660
	Improve transport infrastructure	**3,655**
	Strategic Transport Infrastructure	3,655
	A larger business base that makes a greater contribution to London's economy	**160**
	Investment in Community Workspace	160
Reducing Inequality	**Greater equality in education, training & employment**	**23,773**
	Expansion and Enhancement of Primary Schools	16,464
	Expansion and Enhancement of Secondary Schools	864
	Investment in Education Projects	1,367
	Expansion and Enhancement of Special Educational Needs Facilities	5,078
	Vulnerable adults are supported to maintain their independence, stay healthy and active	**11,023**
	Home Improvements for Vulnerable Residents	1,798
	Home Improvements for Vulnerable Residents (HRA)	8,297
	Improvement of Social Care Provision	928
	Improved health and wellbeing for all	**0**
	Community Health Projects	0
Building Strong & Sustainable Neighbourhoods	**People take pride in the streets of Lambeth**	**15,898**
	Enhancement of Streetscapes and Public Spaces	4,169
	Investment in Waste and Recycling	2,442
	Resurfacing of Footways and Carriageways	9,287
	Lambeth is a safer place	**70**
	Community Safety Projects	70
	All Lambeth Communities enjoy good quality of life, feel valued & can contribute to their neighbourhood	**3,193**
	Creation and Enhancement of Community-run Buildings	0
	Enhancement of Crematoria & Cemeteries	734
	Investment in Culture and Heritage	39
	Investment in Leisure Centres	101
	Investment in Libraries and Community Hubs	519
	Investment in Parks and Open Spaces	1,800
	People live more sustainably	**3,600**
	Creation of Cycling Infrastructure	658
	Enhancement Of Street Lighting	2,942
	The quality of Lambeth's housing is improved including newly built homes of all tenures	**118,906**
	Investment in Lambeth Housing Standard Boroughwide (HRA)	95,646
	Housing Development Projects	6,857
	Housing Development Projects (HRA)	12,541
	Investment in Empty Properties	0
	Investment in Empty Properties (HRA)	3,858
	Housing Communal Facilities (HRA)	4
Enabling	**Enabling**	**40,780**
	Investment in Corporate Office Accommodation	39,442
	Improvement of Council IT Infrastructure	1,338
	Grand Total	**221,718**

2016/17 Financing the Capital Investment Programme

This expenditure, as detailed above, was financed:

- £25.1m of grant monies (£57.8m in 2015/16)
- £46.3m (£35.6m in 2015/16) of internal reserves and revenue contributions (including via the Major Repairs Reserve),
- £40.4m of proceeds from the disposal of Council assets (£9.0m in 2015/16).
- £103.7m from internal borrowing against cash balances (£3.8m in 2015/16).
- £6.2m from developers' contributions (£5.3m in 2015/16).

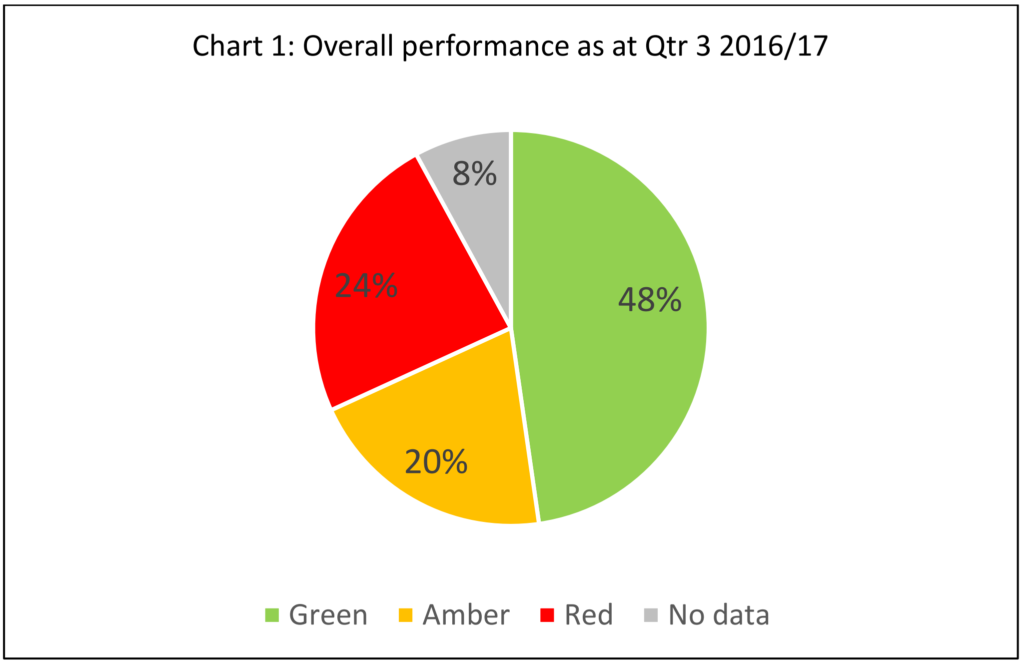
The Council's Performance

The council's corporate performance framework contains two types of performance indicators: outcome indicators which monitor the wellbeing of the wider borough and service indicators which are concerned with the council's own performance. Performance data against both types of indicators is collected and reported quarterly to the council's Cabinet and Corporate Management Team.

The information below shows the council's performance for the 2016/17 financial year as at the end of Quarter 3 (December 2016).

1) Overall performance across the council's service indicators

Overall, 88 service indicators were reported on in Qtr3. Of these, 42 indicators were rated Green (48%), 18 were rated Amber (20%) and 21 were rated Red (24%). There was no data available for 7 indicators (8%).

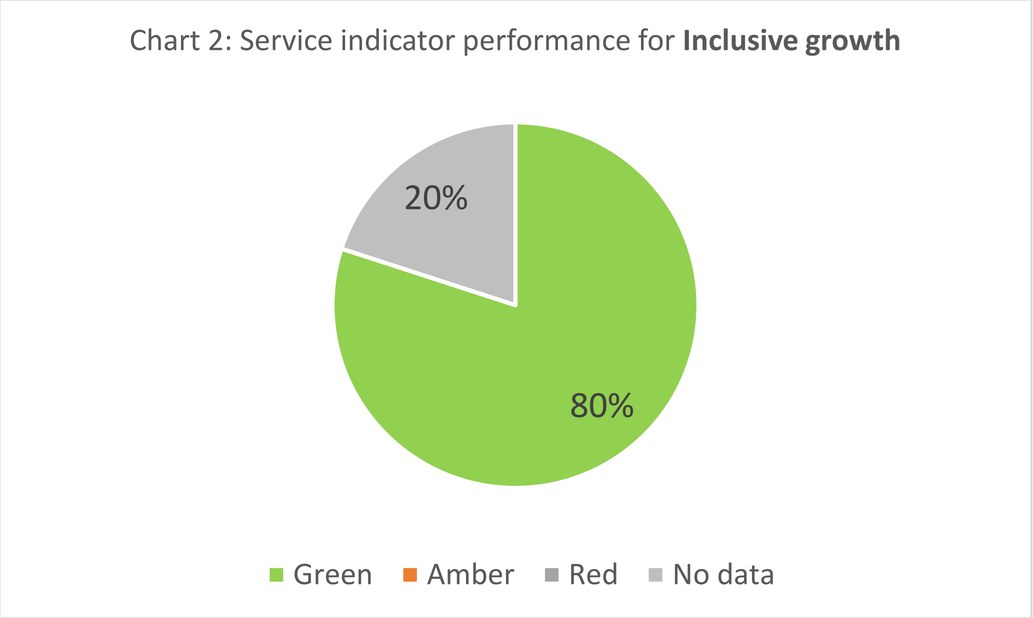


2) Inclusive growth

This priority is about building on the strong foundations of economic growth in Lambeth to continue to grow our local economy so that it benefits people in Lambeth either through more housing, more and better jobs, opportunities for training to improve skills, or generating revenues that we can invest in community facilities. We also want a more inclusive economy that helps to reduce inequality and provides opportunity for all, maintaining Lambeth's diversity.

For this priority, 8 service indicators were rated Green (80%) and 2 had no data (20%). There were no indicators rated Red or Amber.

Our timescales at turning around major and minor planning applications are above target. The amounts of banked Section 106 and Community Infrastructure Levy (CIL) funds are to target and our major capital programmes, including the New Town Hall and Civic Centre, continue to be managed to budget and are making good progress against delivery.



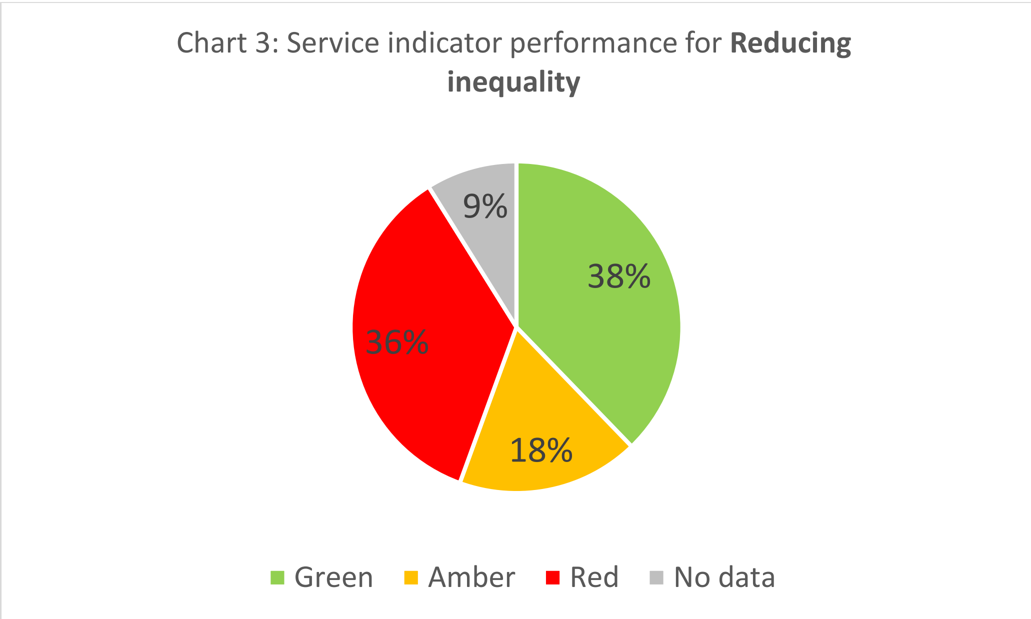
3) Reducing inequality

This priority is about the important things we can do to reduce inequality among our residents. We need to not only attract investment to the borough, but also to incentivise and manage this investment so that it offers opportunities to those residents who need it most, and make sure that any impacts of associated change are well understood and adequately mitigated. We want to focus on helping our residents at those points in their lives where our help can make the most difference: in their early years and childhood; in their transition to adulthood and employment. We also want Lambeth to be a borough that helps older residents to stay independent and continue to participate in their local communities.

For this priority, 17 service indicators were rated Green (38%), 8 rated Amber (18%) and 16 rated Red (36%). There was no data available for 4 indicators (8%).

As seen, performance across this priority was mixed. Council initiatives to support unemployed residents into work and to employ apprentices are all achieving target and the vast majority of our contractors are London Living Wage compliant. Our efforts to reduce homelessness and the numbers of households in temporary accommodation are making effective progress and there has also been a reduction in the numbers of victims of gang violence and first time entrants to the Youth Justice system. We are supporting older and vulnerable people to have greater independence and remain in their homes and we have improved the stability of placements for our Looked After Children in the borough. The proportion of adult social care users receiving self-directed support has increased which also enables greater independence for these individuals.

Areas where we are currently not meeting target and need to improve include reducing the numbers of pupils permanently excluded from school and increasing the number of young people in education, training or employment at the end of their Youth Offending Service (YOS) intervention. A number of indicators in children's social care also require improvement, including our timescales for completing child protection visits and conducting health assessments. We can also do better in reducing the numbers of delayed transfers from hospital and increasing the number of reviews for vulnerable residents in our care or who use our services.

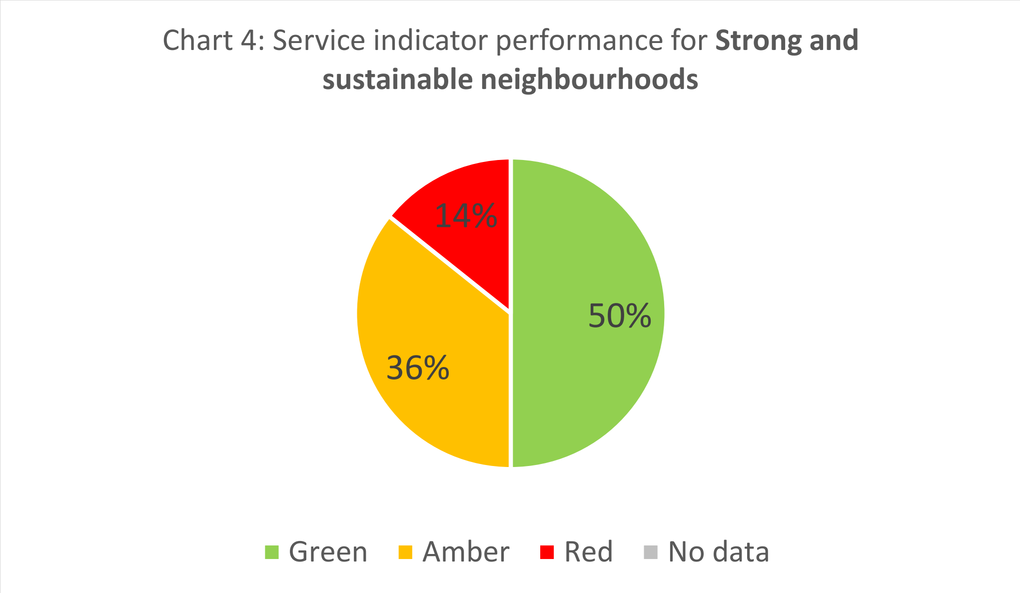


4) Strong and sustainable neighbourhoods

This priority is about our vision of a borough with strong and sustainable communities where everyone is able to enjoy a good quality of life and is able to get involved in their communities and feel valued as a local resident. We want our neighbourhoods to retain their social mix, and to be places where people of different ages and backgrounds come together and feel at home.

For this priority, 7 service indicators were rated Green (50%), 5 rated Amber (36%) and 2 rated Red (14%).

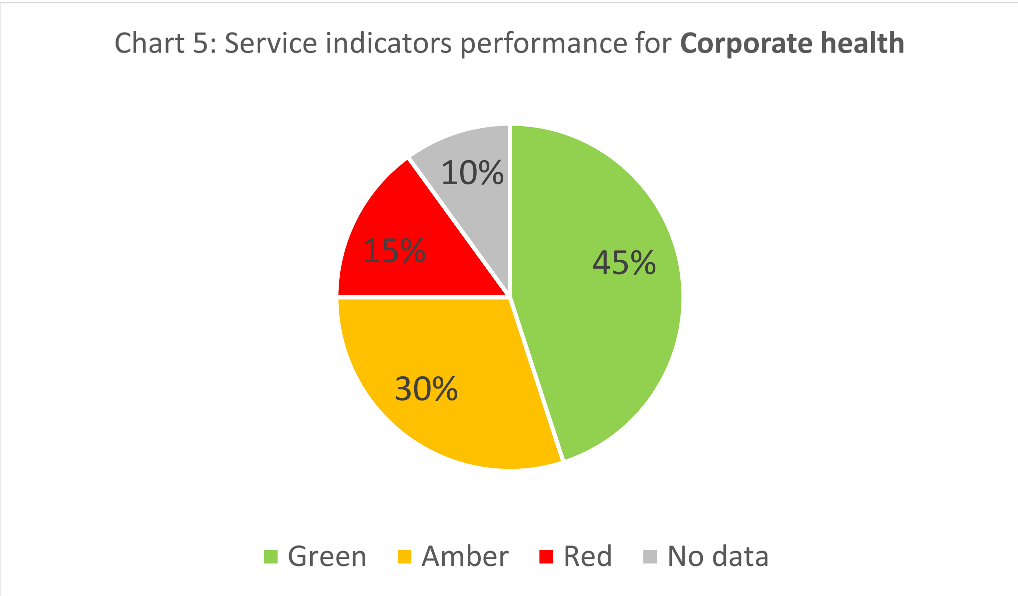
We continue to meet our targets for waste and recycling but there has been an increase in reported levels of litter, detritus, graffiti and fly tipping. The majority of our housing service indicators continue to meet target, with more homes being brought up to the Lambeth Housing Standard (LHS) and satisfaction with lease holder services, housing repairs, grounds maintenance and estate cleaning remaining broadly strong. The percentage of children's centres judged good or better in Ofsted inspections remains very high. We also continue to work with Transport for London to ensure the numbers of people killed or hurt in road traffic collisions in the borough continues to fall.



5) Corporate health

Our corporate health indicators tell us how well we are performing as an organisation across a number of internal areas which are all operational and fully within the council's control.

For corporate health, 9 service indicators were rated Green (45%), 6 rated Amber (30%) and 3 rated Red (15%). There was no data available for 2 indicators (10%).



Performance is good and consistent across a number of our call centre indicators with greater levels of customer satisfaction and fewer calls being abandoned. The number of people with a *MyLambeth* account have significantly exceeded target, supported by a greater number of popular services now being accessible online. The average time taken to process new housing benefit claims has increased but remains on target, and we continue to pay the vast majority of supplier invoices within our 30 day timescales and with fewer invoices being in dispute. Rent and debt collection levels are all above target but council tax collection rates have worsened slightly. Levels of staff sickness in the organisation has remained fairly consistent over the last year but the numbers of agency staff remains higher than target.

The levels of complaints and Freedom of Information (FOI) requests completed on time have improved. The percentage of customer complaints upheld at Stage 2 has also increased so these are areas the council will seek to improve moving forward into 2017/18.

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 Director of Finance is the Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

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

The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 2017.

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 London Borough of Lambeth, including its income and expenditure, and of the London Borough of Lambeth Pension Fund for the year ended 31 March 2017.

This Draft Statement is authorised for issue on 28 September 2017

[redacted]

Christina Thompson
Chief Financial Officer
London Borough of Lambeth

Approval of the Accounts

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

[redacted]

Councillor Adrian Garden
Chair – Corporate Committee

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

We have audited the financial statements of the London Borough of Lambeth for the year ended 31 March 2017 on pages 18 to 90. 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 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the 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 the financial statements 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 Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2017 and of the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement set out on pages *d* to *e* / the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or
- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 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 Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether London Borough of Lambeth had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Lambeth put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, London Borough of Lambeth had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the adequacy of the arrangements London Borough of Lambeth has put in place to secure economy, efficiency and effectiveness in its use of resources, we have reviewed:

- correspondence from the Department for Education, notably:
  - DfE review, Lambeth Progress Report January 2017; and
  - DfE review of improvement progress in Lambeth's Children's Social Care
- correspondence from Ofsted, notably:
  - Monitoring visit to Lambeth's children's services November 2016; and
  - Monitoring visit to Lambeth's children's services April 2017
- the Authority's Annual Governance Statement and Head of Internal Audit Opinion;

The DfE and Ofsted reports as well as Internal Audit reports note that whilst progress has been made, the standard of service relating to Child Safeguarding remain too variable as a number of failures were noted on visits.

We also considered how the Authority has addressed the previously noted weaknesses in internal controls and non-compliance with policies. Although the Head of Internal Audit Opinion this year reflected an overall improved picture, we have noted improvements are still required with respect to contract management and other areas where financial control plans have been targeted.

The issues above are evidence of weaknesses in the Authority's arrangements that are in place to ensure it deploys resources to achieve planned and suitable outcomes for tax payers and local people.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, 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 2017.

Certificate

Delay in certification of completion of the audit

Due to matters brought to our attention by a local authority electors

Furthermore we cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors relating to 2015/16 and 2016/17. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

[redacted]

Neil Thomas
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

28 September 2017

EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows for each of the Council's directorates:

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

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

	Year Ended 31 March 2017				Year Ended 31 March 2016			
	Net Expenditure Chargeable to the General Fund and HRA Balances	Movements between Segments	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Movements between Segments	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adults & Public Health	95,105		857	95,962	86,371		(2,289)	84,082
Children's Services	96,043		12,527	108,570	101,711		(4,584)	97,127
Corporate Items	24,421	(6,495)	(12,392)	5,534	(10,027)	22,237	6,944	19,154
Corporate Resources	58,310		(494)	57,816	61,396		(1,964)	59,432
Neighbourhoods & Growth	41,527		14,925	56,452	50,212		5,688	55,900
Net Cost of Services excl HRA	**315,406**	**(6,495)**	**15,423**	**324,334**	**289,663**	**22,237**	**3,795**	**315,695**
Housing Revenue Account	8,725	(79,971)	44,855	(26,391)	(41,897)	(31,079)	(1,250)	(74,226)
Net Cost of Services incl HRA	**324,131**	**(86,466)**	**60,278**	**297,943**	**247,766**	**(8,842)**	**2,545**	**241,469**
Other Income and Expenditure	(308,268)	86,466	(40,265)	(262,067)	(263,875)	8,842	(87,831)	(342,864)
(Surplus) or Deficit	**15,863**	**0**	**20,013**	**35,876**	**(16,109)**	**0**	**(85,286)**	**(101,395)**
Opening General Fund and HRA Balance 1 April 2015	(160,522)				(144,413)			
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	15,863				(16,109)			
Closing General Fund and HRA Balance at 31 March*	**(144,659)**				**(160,522)**			

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes	Year Ended 31 March 2017			Year Ended 31 March 2016		
		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adults & Public Health		168,949	(72,987)	**95,962**	159,297	(75,215)	**84,082**
Children's Services		384,634	(276,064)	**108,570**	367,393	(270,266)	**97,127**
Corporate Items		5,563	(29)	**5,534**	19,524	(370)	**19,154**
Corporate Resources		339,142	(281,326)	**57,816**	347,116	(287,684)	**59,432**
Housing Revenue Account		163,299	(189,690)	**(26,391)**	116,044	(190,270)	**(74,226)**
Neighbourhoods & Growth		141,753	(85,301)	**56,452**	142,173	(86,273)	**55,900**
COST OF SERVICES		**1,203,340**	**(905,397)**	**297,943**	**1,151,547**	**(910,078)**	**241,469**
Levies				4,265			3,875
Payments to the Government Housing Capital Receipts Pool				3,373			3,488
(Gains)/losses on the Disposal of Non-Current Assets				5,506			(24,673)
Other expenditure				82			100
Other Operating (Income)/Expenditure				**13,226**			**(17,210)**
Interest Payable and Similar Charges - other				32,777			32,719
Net interest on the net pensions liability				20,419			23,782
Investment Interest income				(1,429)			(1,678)
Financing and Investment Income and Expenditure				**51,767**			**54,823**
Taxation and Non-Specific Grant Income	11c			(327,060)			(380,477)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES				**35,876**			**(101,395)**
Loss / (Gain) on revaluation of non-current assets	30			(27,837)			(322,825)
Re-measurement of the Net Defined Benefit Liability	30			30,797			(186,638)
Other Comprehensive (Income) and Expenditure				**2,960**			**(509,463)**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**38,836**			**(610,858)**

MOVEMENT IN RESERVES STATEMENT

The statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (that is those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

The next two tables provide movements on individual usable reserves (for 2015/16 and 2016/17) with one column for all of the unusable reserves.

2016/17	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2016 brought forward	**(107,811)**	**(52,711)**	**(63,554)**	**0**	**(58,724)**	**(282,799)**	**(2,377,143)**	**(2,659,942)**
Total Comprehensive Income and Expenditure (CIES Page 18)	47,903	(12,027)	0	0	0	35,876	2,960	**38,836**
Adjustments between accounting basis & funding basis under regulations (Note 28)	(28,820)	8,807	(5,364)	(75)	(195)	(25,647)	25,647	0
(Increase)/Decrease in 2016/17	**19,083**	**(3,220)**	**(5,364)**	**(75)**	**(195)**	**10,229**	**28,607**	**38,836**
Balance at 31 March 2017 carried forward	**(88,728)**	**(55,931)**	**(68,918)**	**(75)**	**(58,919)**	**(272,570)**	**(2,348,536)**	**(2,621,106)**
GF and HRA Balance analysed over								
Earmarked reserves (Note 29)	(50,240)	(45,184)						
LMS (Schools) Balance	(15,964)	0						
Balances not earmarked	(22,524)	(10,747)						
Balance at 31 March 2017	**(88,728)**	**(55,931)**						

2015/16	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2015 brought forward	**(107,864)**	**(36,549)**	**(25,773)**	**(4,829)**	**(53,270)**	**(228,284)**	**(1,820,800)**	**(2,049,084)**
Total Comprehensive Income and Expenditure (CIES Pages 18)	(3,217)	(98,178)	0	0	0	(101,395)	(509,463)	(610,858)
Adjustments between accounting basis & funding basis under regulations (Note 28)	3,270	82,016	(37,781)	4,829	(5,454)	46,880	(46,880)	0
(Increase)/Decrease in 2015/16	**53**	**(16,162)**	**(37,781)**	**4,829**	**(5,454)**	**(54,515)**	**(556,343)**	**(610,858)**
Balance at 31 March 2016 carried forward	**(107,811)**	**(52,711)**	**(63,554)**	**0**	**(58,724)**	**(282,799)**	**(2,377,143)**	**(2,659,942)**

	General Fund Balance £'000	Housing Revenue Account £'000
GF and HRA Balance analysed over		
Earmarked reserves (Note 29)	(65,712)	(41,965)
LMS (Schools) Balance	(19,663)	
Balances not earmarked	(22,436)	(10,746)
Balance at 31 March 2016	**(107,811)**	**(52,711)**

BALANCE SHEET

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

	Notes	31 March 2017 £'000	31 March 2016 £'000
Property, Plant & Equipment	14a	3,703,254	3,591,711
Heritage Assets	14f	1,141	1,114
Intangible Assets	14b	6,087	7,360
Long-Term Investments	15d	0	0
Long-Term Debtors	15a	4,839	397
LONG TERM ASSETS		**3,715,321**	**3,600,582**
Assets Held for Sale (within one year)	14e	893	800
Inventories		10	10
Short Term Debtors	16	155,936	162,933
Short Term Investments	15a	123,664	216,118
Cash and Cash Equivalents	34	27,980	40,986
CURRENT ASSETS		**308,483**	**420,847**
Short Term Borrowing	15a	(6,876)	(11,274)
Short Term Creditors	17,18	(171,968)	(154,399)
Provisions	23	(11,588)	(21,480)
Grants Receipts in Advance – Revenue	17,18	(14,237)	(14,659)
Grants Receipts in Advance - Capital	19	(15,051)	(22,013)
CURRENT LIABILITIES		**(219,720)**	**(223,825)**
Long Term Creditors	15a	(106,129)	(107,226)
Provisions	23	(3,877)	(3,733)
Long Term Borrowing	15a	(412,717)	(412,717)
Other Long Term Liabilities - IAS19 Pension Liability	26	(631,155)	(599,147)
Grants Receipts in Advance - Capital	19	(29,100)	(14,839)
LONG TERM LIABILITIES		**(1,182,978)**	**(1,137,662)**
NET ASSETS		**2,621,106**	**2,659,942**
Total usable reserves	29a	(272,570)	(282,799)
Total unusable reserves	30	(2,348,536)	(2,377,143)
TOTAL RESERVES		**(2,621,106)**	**(2,659,942)**

CASH FLOW STATEMENT

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

Year Ended 31 March	Notes	2016/17 £'000	2015/16 £'000
Net (surplus) or deficit on the provision of services		35,876	(101,395)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(121,493)	(44,793)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		51,660	119,000
Net cash flows from Operating Activities		**(33,957)**	**(27,188)**
Investing Activities	31	49,948	77,147
Financing Activities	32	(2,985)	1,459
Net (increase) or decrease in cash and cash equivalents		**13,006**	**51,418**
Cash and cash equivalents at the beginning of the reporting period		(40,986)	(92,404)
Cash and cash equivalents at the end of the reporting period	34	**(27,980)**	**(40,986)**

Adjustment of Net (Surplus) on Provision of Services	2016/17 £'000	£'000	2015/16 £'000	£'000
Net (Surplus) or Deficit on the Provision of Services		**35,876**		**(101,395)**
Adjust net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation	(62,024)		(49,772)	
Impairment and revaluations	21,920		43,684	
(Increase)/Decrease in Creditors	(879)		23,037	
Increase/ (Decrease) in Debtors	(676)		(12,977)	
(Decrease)/Increase in Inventories	0		(18)	
Other adjustments	810		(1,044)	
Non Cash PFI expenditure	272		3,224	
Increase/(Decrease) in Accrued Investment Income	(454)		616	
Pension Liability	(1,211)		(18,747)	
Contributions (to)/from Provisions	9,748		(7,179)	
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(45,159)		(25,617)	
		(121,493)		**(44,793)**
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities				
Capital Grants credited to surplus or deficit on the provision of services	31,585		68,609	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	20,075		50,391	
		51,660		**119,000**
Net Cash Flows from Operating Activities		**(33,957)**		**(27,188)**

NOTES TO THE ACCOUNTS (GENERAL)

1. Statement of Accounting Policies

A. Basis of Preparation

The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2016/17, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

The Statement of Accounts has been prepared using the going concern and accruals bases. Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:
- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where
debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

The method for determining fair value depends on the level in the fair value hierarchy.
Level 1 category is reserved for unadjusted quoted prices in active markets for identical assets.
Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset but where adjustments may be required based on location and condition.
Level 3 inputs comprise unobservable inputs for an asset used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Existing use value for social housing
Property, Plant and Equipment: Other Land and Buildings	Existing use value; and depreciated replacement cost in the case of specialised assets such as schools
Property, Plant and Equipment: Surplus Assets	Fair value – level 2 - Significant Observable Inputs. Land, Office and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.
Pensions Assets	Fair values based on the following: • quoted securities – current bid price • unquoted securities – professional estimate • unitised securities – current bid price • property – market value.

The Statement of Accounts has been adjusted to reflect events after 31 March 2017 and before the date the Statement was authorised for issue (date awaited) only where the events provide evidence of conditions that existed at 31 March.

B. Adjustments Between Accounting Basis and Funding Basis

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

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.	Capital Adjustment Account
Intangible Assets	Amortisation and impairment		Capital Adjustment Account
Investment Properties	Movements in fair value		Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2016/17		Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2016/17 or were received in 2016/17 without conditions	No credit for capital grant income as this is accounted for via the capital adjustment account when applied.	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2017) Capital Adjustment Account (other amounts)
Non-Current Asset Disposals	Gain or loss based on sale proceeds less carrying amount of asset (net of costs of disposal)	No charge or credit in respect of carrying amount. The sales proceeds are taken to the Capital Receipts Reserve.	Capital Adjustment Account (carrying amount) Capital Receipts Reserve (sale proceeds and costs of disposal) Deferred Capital Receipts Reserve (where sale proceeds have yet to be received)
Financial Instruments	Premiums payable and discounts receivable on the early repayment of borrowing in 2016/17	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities being the aggregate of service costs, net interest costs and actuarial gains and losses.	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2016/17.	Pensions Reserve
Council Tax	Accrued income from 2016/17 bills	Demand on the Collection Fund for 2016/17 plus share of estimated surplus at 31 March 2017	Collection Fund Adjustment Account
Business Rates	Accrued income from 2016/17 bills	Precept from the Collection Fund for 2016/17	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2017	No charge	Accumulated Absences Adjustment Account

C. Financial Instruments

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

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

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

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

D. Government Grants and Contributions

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

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

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

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

E. Intangible Assets

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

Intangible assets are measured at cost.

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

F. Leases

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

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

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

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

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

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

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

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

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

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

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

G. Overheads and Support Services

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

H. Post-Employment Benefits

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

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

The NHS and Teacher's Schemes provide defined benefits to members. However, Scheme arrangements mean that liabilities for these benefits cannot be attributed to the Council. The Schemes are therefore accounted for as if they were defined contribution schemes and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services and Public Health lines in the Comprehensive Income and Expenditure Statement is charged respectively with the employer's contributions payable to Teachers' and NHS Pensions in the year.

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

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

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

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

I. 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.

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

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

Assets are initially measured at cost, comprising:

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

Certain categories of Property, Plant and Equipment are measured subsequently at fair value. Other assets (infrastructure, community assets and assets under construction) are carried at depreciated historical cost. Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

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

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

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

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

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

Useful Economic Lives

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

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

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

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

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

J. Private Finance Initiative and Similar Contracts

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

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

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

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement (CIES)
- finance cost –debited to the Financing and Investment Income and Expenditure line in the CIES
- contingent rent – debited to the Financing and Investment Income and Expenditure line in the CIES
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator
- lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

K. Provisions

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

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 (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

L. Termination Benefits

Termination benefits are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

M. Changes in Accounting Policies

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

N. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

O. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

P. Rounding

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

2a. Critical Judgements and Assumptions

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

Items in the Council's Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year include pensions liabilities, property, plant and equipment valuations, insurance provisions and bad debt provisions.

Critical judgements made in the Statement of Accounts are:

Future of Local Government

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

Bad Debt Provisions

Bad debts are provided for by using trend data for recent years regarding collection rates and overview of debt position, and applying that analysis to aged debt, thus ensuring that the net debtor represents a reasonable estimation of collectible debt.

Provisions and Contingent Liabilities

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

Redress Scheme

The Independent Inquiry into Child Sexual Abuse (IICSA) is investigating allegations of sexual abuse in children's homes previously run by Lambeth. The Shirley Oaks Survivors Association (SOSA) are a group representing former residents at Shirley Oaks, a children's home run by the Council which closed in 1983. The Authority is in the process of developing a redress scheme to compensate individuals for suffering they have experienced. The Authority recognises there was an obligating event which has occurred in the past, for which they are liable for as the allegations are against former employees in children's homes run by the Authority. The commencement of the redress scheme will potentially provide the Authority with the mechanism through which those liabilities are discharged. At this point in time the redress scheme has not been approved and consequently is not formally open and any liabilities in this regard cannot be reliably estimated. As a result of the inability to reliably estimate the quantum and severity of the claims that might be received thus the liability does not meet the requirements for a provision under IAS 37. Consequentially the Authority has not set funds aside in a provision but has included a disclosure within note 23, Contingent Liabilities.

Insurance Fund

The Council holds a fund to act as a means to self-insurance. This is split between a consideration held in provisions to deal with post-1992 claims, which are deemed to be more robustly understood and quantifiable, and a reserve to deal with pre-1992 claims, which is based more on judgement as to a reasonable level to hold. See Note 23.

Restructures, Redundancies and Termination Benefits

A provision has been made to meet the cost of those staff who have agreed to leave as part of voluntary redundancy arrangements.

Service Concessions

The Council is deemed to control the services provided under the following PFI agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets recognised as Property Plant and Equipment on the Council's Balance sheet. See note 22.

Group Accounts

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

Pensions Liabilities

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

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

	Approx. increase to pension liability		Approx. increase to monetary amount	
	LPFA	Lambeth	LPFA	Lambeth
	%	%	£'000	£'000
1 year increase in member life expectancy	4	3-5	3,222	78,978
0.5% increase in salary increase rate	<1	1	180	19,776
0.5% increase in pension increase rate	6	8	4,875	153,517
0.5% decrease in real discount rate	6	9	5,000	175,253

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

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

Property Valuations

Properties are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. Where there has been significant works carried out to the asset during the year, the asset is subject to a full valuation on completion of those works. At the balance sheet date, all assets with carrying value over £1 million are subject to a further desktop valuation. The valuation in 2016/17 was conducted by Wilks Head and Eve LLP.

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

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

2b. Post Balance Sheet

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

NOTES TO THE EXPENDITURE FUNDING ANALYSIS (EFA) AND COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)

3. Note to the Expenditure and Funding Analysis

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

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

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

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

Adjustments between Funding and Accounting Basis								
	Year Ended 31 March 2017				Year Ended 31 March 2016			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000	Adjustments for Capital Purposes £'000	Net change for the Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Adults & Public Health	857	0	0	857	254	(2,543)	0	(2,289)
Children's Services	12,527	0	0	12,527	(1,014)	(3,570)	0	(4,584)
Corporate Items	3,696	(16,107)	19	(12,392)	(457)	7,500	(99)	6,944
Corporate Resources	(494)	0	0	(494)	(802)	(1,162)	0	(1,964)
Housing Revenue Account	48,033	(3,183)	5	44,855	698	(2,111)	163	(1,250)
Neighbourhoods & Growth	14,925	0	0	14,925	8,936	(3,248)	0	5,688
Net Cost of Services	**79,544**	**(19,290)**	**24**	**60,278**	**7,615**	**(5,134)**	**64**	**2,545**
Other income and expenditure from the Expenditure and Funding Analysis	(56,159)	20,501	(4,607)	(40,265)	(111,991)	23,881	279	(87,831)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**23,385**	**1,211**	**(4,583)**	**20,013**	**(104,375)**	**18,747**	**343**	**(85,286)**

4. Expenditure & Income Analysed by Nature

	2016/17 £'000	2015/16 £'000
Expenditure		
Employee benefits expenses	351,450	375,336
Other services expenses	789,602	792,842
Support service recharges	(1,155)	(1,231)
Depreciation, amortisation, impairment	83,945	6,088
Interest payments	32,777	32,719
Precepts and levies	4,265	3,875
Payments to Housing Capital Receipts Pool	3,373	3,488
Gain on the disposal of assets	5,506	(24,673)
Total expenditure	**1,269,763**	**1,188,444**
Income		
Fees, charges and other service income	(284,843)	(277,848)
Interest and investment income	(1,429)	(1,678)
Income from council tax, non-domestic rates	(276,455)	(285,023)
Government grants and contributions	(671,160)	(725,290)
Total income	**(1,233,887)**	**(1,289,839)**
Surplus or Deficit on the Provision of Services	**35,876**	**(101,395)**

5. Material Items of Income and Expense

Revaluation Loss and Impairment

In 2016/17 there was a total net revaluation loss of £21.9m. Of this, £20.1m net revaluation loss was recorded in the HRA due to a combination of a general decrease in property values, as well as the social housing discount applied to properties that became operational during the year.
In 2015/16 there was a total net reversal of revaluation loss of £43.7m, of this £26.8m net reversal of revaluation loss was recorded in the HRA as a result of uplift in property values. Similarly in schools in 2015/16 there was a net reversal of revaluation loss of £8.4m. (The remaining £8.5m net reversal of revaluation loss was also as a result of an uplift in property values).

6. Parking Places Revenue Account

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

	2016/17 £'000	2015/16 £'000
Income	(26,654)	(26,863)
Expenditure	14,549	15,621
(Surplus)/Deficit for the year	**(12,105)**	**(11,242)**
Use of Surplus		
Revenue Contribution to Capital	2,500	2,500
Road Safety	111	68
Other Highways Expenditure	379	466
Structural Maintenance inc. Footways & Carriageways	1,056	1,335
Concessionary Fares	7,000	5,800
Transport Planning	447	471
Aids to Movement, Furniture & Fittings	78	174
Other Contributions to Transport Related Works	322	448
Contributions to Parking Reserves	300	0
	12,193	**11,262**
(Surplus) / Deficit for year	**88**	**20**

7. Building Operations Trading Account

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

	2016/17			2015/16		
	Chargeable £'000	Non-Chargeable £'000	Total £'000	Chargeable £'000	Non-Chargeable £'000	Total £'000
Expenditure						
Employees	436	109	545	407	175	582
Premises	1	0	1	2	1	3
Transport	5	1	6	5	2	7
Supplies & Services	30	7	37	(47)	(20)	(67)
Third Party Payments	74	19	93	78	33	111
Central & Support Charges	165	42	207	176	75	251
	711	**178**	**889**	**621**	**266**	**887**
Income						
Building Regulations Charges	**(689)**	**0**	**(689)**	**(652)**	**0**	**(652)**
(Surplus)/Deficit for the Year	**22**	**178**	**200**	**(31)**	**266**	**235**

8. Members' Allowances

	2016/17 £'000	2015/16 £'000
Members' Allowances	749	759
Special Responsibility Allowance	495	508
	1,244	**1,267**

9a. Senior Officers' Remuneration

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

Name and Title	Year	Salary, Fees & Allowances £	Expense Allowances £	Total Remuneration excl employers' pension contributions £	Employers' pension contributions £	Election Payment (incl pension) £	Total Remuneration incl employers' pension contributions £
Sean Harriss	**2016/17**	**181,800**	**0**	**181,800**	**30,543**	**20,482**	**232,825**
Chief Executive	2015/16	180,000	0	180,000	30,972	0	210,972
Guy Ware [1]	**2016/17**	**0**	**0**	**0**	**0**	**0**	**0**
Former Strategic Director, Enabling	2015/16	62,787	0	62,787	10,653	0	73,440
Jacqueline Belton	**2016/17**	**149,635**	**0**	**149,635**	**25,823**	**3,273**	**178,732**
Strategic Director, Corporate Resources	2015/16	152,190	0	152,190	10,791	0	162,981
Helen Charlesworth-May	**2016/17**	**153,711**	**0**	**153,711**	**25,823**	**0**	**179,534**
Strategic Director - Commissioning	2015/16	152,190	0	152,190	25,568	0	177,758
Susan Foster	**2016/17**	**153,711**	**0**	**153,711**	**25,823**	**0**	**179,534**
Executive Director – Housing, Regeneration & Environment	2015/16	152,190	0	152,190	25,568	0	177,758
Dr. Ruth Wallis [2]	**2016/17**	**170,073**	**0**	**170,073**	**4,255**	**0**	**174,328**
Joint Health Executive Director - Lambeth and Southwark	2015/16	150,577	0	150,577	20,431	0	171,008
Christopher Toye [3]	**2016/17**	**160,098**	**0**	**160,098**	**26,384**	**0**	**186,482**
Ashmole, Vauxhall and Wyvil Schools	2015/16	162,951	0	162,951	25,191	0	188,143
Richard Thornhill [3]	**2016/17**	**151,500**	**0**	**151,500**	**24,967**	**0**	**176,467**
CEO - Loughborough	2015/16	150,000	0	150,000	24,967	0	174,967
Sir Craig Tunstall [3]	**2016/17**	**366,983**	**0**	**366,983**	**31,231**	**0**	**398,214**
Federation of Kingswood & Elmwood Primary Schools and Children's Centres	2015/16	330,394	0	330,394	43,758	0	374,152

1. Guy Ware left the Council in August 2015.
2. Ruth Wallis. The post is shared equally with LB Southwark, and the Council's share of total remuneration and contribution to the pension fund. In June 2016 Dr Ruth Wallis' redundancy payment was £293k of which Lambeth's share is included above.
3. Head teacher pay is set by the Governing Body and is only administered by the Council.

9b. Remuneration Details – Higher Earners

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

	Number of employees	
Remuneration band	**2016/17**	2015/16
£50,000 - £54,999	**227**	183
£55,000 - £59,999	**163**	162
£60,000 - £64,999	**75**	79
£65,000 - £69,999	**39**	57
£70,000 - £74,999	**45**	37
£75,000 - £79,999	**16**	44
£80,000 - £84,999	**27**	8
£85,000 - £89,999	**11**	6
£90,000 - £94,999	**16**	6
£95,000 - £99,999	**9**	3
£100,000 - £104,999	**3**	4
£105,000 - £109,999	**5**	2
£110,000 - £114,999	**0**	0
£115,000 - £119,999	**5**	9
£120,000 - £124,999	**0**	0
£125,000 - £129,999	**0**	0
£130,000 - £134,999	**1**	1
£135,000 - £139,999	**1**	0

9c. Exit Packages

Exiting Package cost band (including special payments £	Number of compulsory redundancies		Number of other Departures agreed		Total Number of Exit packages by cost band		Total Cost of Exit Packages in each band	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	£ 2016/17	£ 2015/16
0 – 20,000	8	5	87	383	95	388	866,837	4,053,458
20,001 – 40,000	4	2	64	82	68	84	1,866,798	2,220,768
40,001 – 60,000	0	0	12	13	12	13	560,616	632,034
60,001 – 80,000	1	0	2	7	3	7	214,588	461,397
80,001 – 100,000	1	0	0	2	1	2	80,097	180,608
100,001 – 150,000	0	0	4	0	4	0	485,620	0
150,001 – 200,000	0	0	0	0	0	0	0	0
200,001 – 250,000	0	0	1	0	1	0	238,081	0
250,000+	0	0	0	0	0	0	0	0
Total cost of exit package before provision	**14**	**7**	**170**	**487**	**184**	**494**	**4,312,637**	**7,548,265**

In 2015/16 the Council had a voluntary redundancy scheme which led to a higher number of redundancies in year.

10. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and the certification of grant claims and to non-audit services provided by the Council's external auditors, KPMG:

	2016/17 £'000	2015/16 £'000
Fees with regard to external audit services carried out by the appointed auditor for the year	**208**	**208**
Fees for the certification of grant claims and returns for the year	**32**	**35**
	240	**243**

There are audit fees accruing relating to 2016/17 objections, but these are on-going and are not yet authorised by the PSAA.

11. Grant Income, Contributions and Taxation

11a. Other Revenue Grant Income

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

Credited to Taxation and Non Specific Grant Income	2016/17 £'000	2015/16 £'000
Community Infrastructure Levy	(1,502)	(16,790)
Education Services Grant	(2,880)	(3,130)
Housing and Council Tax Benefit	(2,514)	(2,820)
New Homes Bonus & New Homes Bonus Top Slice	(14,253)	(8,333)
Grants Under £1.5m	(6,286)	(7,671)
Total Credited to Taxation and Non Specific Grant Income	**(27,435)**	**(38,744)**
Credited to Services (Grants and Contributions)		
Adult and Community Learning	(2,235)	(1,818)
Dedicated Schools Grant	(216,913)	(219,537)
New Homes Bonus Scheme – Pooled with GLA	(1,769)	(477)
Housing and Council Tax (Benefit and Subsidy)	(252,329)	(260,071)
PFI Lilian Baylis PFI Project - DfE Grant	(1,931)	(1,931)
PFI Support Grant Income - Lambeth Myatts Field North HRA PFI Project	(7,729)	(7,729)
PFI Support Grant Income - Gracefield Gardens & Street Lighting	(1,388)	(1,727)
Public Health Grant	(33,053)	(29,165)
Pupil Premium	(15,023)	(15,916)
Universal Infant Free School Meals	(2,849)	(2,673)
YPLA (LSC) 6th Form Grant	(6,450)	(6,359)
Other Government Grants - Revenue (under £1.5m)	(9,323)	(9,677)
Other non -Government Grants - Revenue	(681)	(656)
Better Care Fund - S75 Pooled Budget	(11,466)	(19,546)
Contributions from Health Authorities	(7,288)	(6,880)
Schools - Catering, Facilities & Services	(13,274)	(9,207)
Section 106	(1,849)	(2,490)
Other Contributions under £1.5m	(4,422)	(5,971)
Total Credited to Services (Grants and Contributions)	**(589,972)**	**(601,830)**
Grand Total	**(617,407)**	**(640,574)**

11b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17: -

Credited to Taxation and Non Specific Grant Income	2016/17 £'000	2015/16 £'000
British Gas Carbon Saving	0	(3,502)
Transport for London	(4,344)	(3,038)
Section 20 Receipts	0	(7,296)
Standard Fund	(15,121)	(15,662)
Outer London Fund	(6)	(22)
S106 developers' contributions	(2,088)	(2,690)
Other Grants - Capital (under £1.5m)	(1,442)	(1,003)
Decent Homes Backlog Funding	0	(23,284)
Heritage Lottery Fund	(169)	(213)
Total Taxation and Non Specific Grant Income	**(23,170)**	**(56,710)**

Credited to Services	2016/17 £'000	2015/16 £'000
Heritage Lottery Fund	(96)	(289)
Standards Fund	(3,193)	(8,215)
Other London Fund	(42)	0
S106 developers' contributions	(4,159)	(2,590)
Other Grants-Capital (under 1.5m)	(925)	(805)
Total Credited to Services	(8,415)	(11,899)
Grand Total	**(31,585)**	**(68,609)**

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

	2016/17 £'000	2015/16 £'000
Capital grants and Contributions – other (see note 11b)	(23,170)	(56,710)
Council Tax income	(103,183)	(97,515)
NNDR Retained Income	(38,015)	(34,960)
Revenue Support Grant	(69,345)	(87,180)
Top-Up grant – business rates retention scheme	(65,912)	(65,368)
Other Non service related grants (see note 11a)	(27,435)	(38,744)
Taxation and Non-Specific Grant Income	**(327,060)**	**(380,477)**

12. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.
There were no outstanding balances at the 31 March 2017 unless otherwise stated.

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Details of transactions with government departments are set out in note 12. Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 18 and 19 to the balance sheet respectively. Other amounts due to or from central government at the relevant balance sheet dates are included in the figures in notes 16 and 17.

Members

Members of the Council have direct control over the Council's financial and operating policies. During 2016/17 £1,347k (£5,918k 2015/16) was paid to organisations in which 18 members (19 members in 2015/16) 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.

Other Public Bodies

In addition, the Council paid £14,293k (£13,218k in 2015/16) to Western Riverside Waste Authority in respect of waste disposal charges and £1,761k (£1,763k in 2015/16) in respect of levies.

Amounts due to or from other local authorities at the relevant balance sheet dates are included in the figures in notes 16 and 17. The Council had deposits at 31 March 2017 with other local authorities of £0 (£25,000k in 2015/16).

The Council has borrowing (including accrued interest) of £419,593k (£419,593k in 2015/16) with the Public Works Loan Board (PWLB). Interest payable on these loans was £23,000k (£22,999k in 2015/16). The Waste Authority and PWLB are under common control of central government.

Material transactions with the Pension Fund are disclosed in the Pension Fund accounts The Fund owed the Council £808k as at 31 March 2017 (£9,516k as at 31 March 2016). 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 £988k for expenses incurred in administering the fund. Details are in the Pension Fund Accounts.

The authority has a pooled budget arrangement with Lambeth Clinical Commissioning Group (CCG) for the provision of services to improve the health and wellbeing of the people living in Lambeth. Transactions and balances outstanding are detailed in Note 13.

13. Better Care Fund (Pooled Budget)

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

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

Funding provided to the pooled budget	2016/17 £'000	2015/16 £'000
Lambeth Council	(1,145)	(615)
CCG	(22,399)	(22,108)
Total funding provided to the pooled budget	**(23,544)**	**(22,723)**
Expenditure met from the pooled budget		
Lambeth Council	8,061	7,531
CCG	15,483	15,192
Total expenditure met from the pooled budget	**23,544**	**22,723**
Net surplus / deficit arising on the pooled budget during the year	**0**	**0**

NOTES TO THE BALANCE SHEET

14a. Property, Plant and Equipment

Balances as at 31 March 2017	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation	2,227,579	1,202,766	109,634	226,946	5,249	35,366	60,649	**3,868,189**
Accumulated Depreciation	(65)	(19,293)	(73,837)	(71,354)	0	(386)	0	**(164,935)**
Carrying Amount	**2,227,514**	**1,183,473**	**35,797**	**155,592**	**5,249**	**34,980**	**60,649**	**3,703,254**

Owned	2,189,050	1,142,154	32,523	143,812	5,072	34,980	60,649	**3,608,240**
PFI / Finance Lease	38,464	41,319	3,274	11,780	177	0	0	**95,014**
Carrying Amount	**2,227,514**	**1,183,473**	**35,797**	**155,592**	**5,249**	**34,980**	**60,649**	**3,703,254**

Movements in Carrying Amount	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
At 1 April 2016	**2,169,373**	**1,163,125**	**19,317**	**148,637**	**11,348**	**55,306**	**24,605**	**3,591,711**
Reclassifications	(1,213)	15,880	1,875	0	(6,273)	2,625	(12,894)	**0**
Additions	102,402	20,607	21,783	16,837	174	0	48,938	**210,741**
Revaluations	(3,261)	2,823	0	0	0	17,111	0	**16,673**
Depreciation	(25,312)	(16,827)	(7,178)	(9,882)	0	(664)	0	**(59,863)**
Impairments	(8,621)	(2,135)	0	0	0	0	0	**(10,756)**
Disposals and Decommissioning	(5,854)	0	0	0	0	(38,505)	0	**(44,359)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(893)	0	**(893)**
At 31 March 2017	**2,227,514**	**1,183,473**	**35,797**	**155,592**	**5,249**	**34,980**	**60,649**	**3,703,254**

Balances as at 31 March 2016	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation	2,169,388	1,168,623	85,684	210,109	11,640	55,306	24,605	3,725,355
Accumulated Depreciation	(15)	(5,498)	(66,367)	(61,472)	(292)	0	0	(133,644)
Carrying Amount	**2,169,373**	**1,163,125**	**19,317**	**148,637**	**11,348**	**55,306**	**24,605**	**3,591,711**

Owned	2,130,462	1,121,489	7,249	148,637	11,171	55,306	24,605	3,498,919
PFI / Finance Lease	38,911	41,636	12,068	0	177	0	0	92,792
Carrying Amount	**2,169,373**	**1,163,125**	**19,317**	**148,637**	**11,348**	**55,306**	**24,605**	**3,591,711**

Movements in Carrying Amount	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
At 1 April 2015	**1,998,810**	**962,012**	**20,784**	**142,854**	**12,793**	**11,028**	**6,345**	**3,154,626**
Reclassifications	(3,297)	(3,396)	0	0	(3,312)	10,005	0	**0**
Additions	88,689	19,533	3,793	14,743	1,687	0	18,260	**146,705**
Revaluations	131,179	204,810	0	0	333	35,316	0	**371,638**
Depreciation	(23,679)	(11,128)	(5,260)	(8,960)	(153)	(148)	0	**(49,328)**
Impairments	(3,750)	(1,283)	0	0	0	(95)	0	**(5,128)**
Disposals and Decommissioning	(18,579)	(7,423)	0	0	0	0	0	**(26,002)**
Assets reclassified (to) / from Held for Sale	0	0	0	0	0	(800)	0	**(800)**
At 31 March 2016	**2,169,373**	**1,163,125**	**19,317**	**148,637**	**11,348**	**55,306**	**24,605**	**3,591,711**

14b. Intangible Assets

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

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

	2016/17 Software Licences £'000	2015/16 Software Licences £'000
Balance at start of year:		
· Gross carrying amounts	12,061	10,577
· Accumulated amortisation	(4,701)	(4,257)
Net carrying amount at start of year	**7,360**	**6,320**
· Purchases	889	1,484
· Amortisation for the period	(2,162)	(444)
Net carrying amount at end of year	**6,087**	**7,360**
Comprising:		
· Gross carrying amounts	12,947	12,061
· Accumulated amortisation	(6,860)	(4,701)
Balance at end of year	**6,087**	**7,360**

14c. Capital Expenditure and Capital Financing

Capital Financing Requirement	2016/17 £'000	2015/16 £'000
Opening Capital Financing Requirement	**630,676**	**580,145**
Capital Investment		
Property, Plant and Equipment	210,741	146,705
Heritage Assets	27	31
Intangible Assets	889	1,483
Revenue Expenditure Funded from Capital under Statute	10,675	14,172
Sources of Finance		
Capital Receipts Recycled 141	(3,374)	(9,033)
Capital Receipts	(7,307)	0
Government grants and other contributions	(25,140)	(34,506)
Decent Homes	0	(23,284)
Major Repairs Reserve	(27,882)	(32,348)
S106 contributions	(6,248)	(5,280)
Direct revenue contributions	(84)	(316)
Sums set aside from revenue	(18,356)	(3,227)
MRP / loans principal	(2,319)	(3,866)
Capital Receipts set aside – regulation 23 (b)	0	0
Closing Capital Financing Requirement	**762,298**	**630,676**
Explanation of movements in year		
Increase (decrease) in underlying need to borrow	126,333	44,274
Assets acquired under PFI/PPP contracts	3,489	6,257
Increase / (decrease) in Capital Financing Requirement	**129,822**	**50,531**

14d. Capital Commitments

	31 March 2017 £'000	31 March 2016 £'000
Adults, Children and Health	53,719	57,722
Corporate Resources	0	446
Neighbourhoods and Growth	23,551	94,674
Total	**77,270**	**152,842**

As at 31st March 2017, the authority has entered into a number of contracts for the construction of Plant, Property and Equipment in 2016-17 and future years budgeted to cost £77m. Similar commitments as at 31 March 2014 were £153m. The major commitments are:

- Construction of Woodmansterne Secondary School £26m
- The Coburg Crescent £10m
- The Brixton Recreation Centre £6m
- Expansion of Sudbourne primary School £5m

The figures in the note above are budgeted amounts from the Capital Investment Programme rather than contractual capital commitments.

14e. Assets Held for Sale

	Current 2016/17 £'000	2015/16 £'000
Balance at start of year	**800**	**0**
Assets newly classified as held for sale:		
· Property, Plant and Equipment	893	800
Assets sold	(800)	0
Balance at year-end	**893**	**800**

14f. Heritage Assets

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

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

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

15a. Financial Instruments

	Non-Current		Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
Bank overdraft	0	0	0	0
Rents	0	0	(5,520)	(6,124)
Right to buy service charges	0	0	(2,161)	(2,161)
Other payables	0	0	(121,806)	(124,014)
Short-term Borrowing – PWLB	0	0	(6,876)	(6,876)
Short-term Borrowing – IFRIC 12	0	0	(4,586)	(4,398)
Long-term Borrowing – PWLB	(412,721)	(412,717)	0	0
Long-term creditors – IFRIC12	(106,129)	(107,226)	0	0
Total Financial Liabilities at Amortised Cost	**(518,850)**	**(519,943)**	(140,949)	**(143,573)**
Rents	0	0	6,166	7,472
Right to buy service charges	0	0	371	2,117
s20 works	0	0	35,375	23,510
Other receivables	0	0	112,901	77,290
Pension Fund	0	0	1,124	9,629
Long-term Debtors	4,839	397	0	0
Investments	0	0	123,664	216,118
Total Loans and Receivables	**4,839**	**397**	**279,601**	**336,136**

The balance on the current category of financial liabilities does not include all elements of creditors. The reason for exclusions is that some sections of creditors relate to statutory functions, not contractual arrangements and therefore do not meet the definition of a financial instrument or is deferred income.
Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors. The short-term investments amount to £123.6m at 31 March 2017 and £216.1m at 31 March 2016.

15b. Impairment (credit) losses on receivables

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 2015	**(1,501)**	**(14,160)**	**(10,693)**	**(1,358)**	**(12,760)**	**(40,472)**
Write-offs	0	1,645	1,700	0	8,119	11,464
Set up/Release	490	(1,611)	1,567	227	(3,500)	(2,827)
Balance as at 31 March 2016	**(1,011)**	**(14,126)**	**(7,426)**	**(1,131)**	**(8,141)**	**(31,835)**
Write-offs	0	7,816	100	96	2,780	10,792
Set up/Release	0	(5,497)	(2,240)	0	(3,423)	(11,160)
Balance as at 31 March 2017	**(1,011)**	**(11,807)**	**(9,566)**	**(1,035)**	**(8,784)**	**(32,203)**

15c. Income, Expense, Gains and Losses

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

	31 March 2017 £'000	31 March 2016 £'000
Interest Receivable	(1,429)	(1,678)
Interest Payable	32,777	32,719
Impairment Loss on loans and receivables	11,160	2,825
	42,508	**33,866**

15d. Fair Values of Assets and Liabilities

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

		31 March 2017		31 March 2016
	Carrying amount	Carrying amount	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial Assets – Long-term Investments	0	0	0	5,056
Financial liabilities – PWLB debt	(412,717)	(805,545)	(412,717)	(727,039)

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

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

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

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

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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits but there was no evidence at 31 March 2017 that this was likely to crystallise. Deposit protection arrangements as outlined in the Council's Treasury Management Strategy will limit any losses that may arise.

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

Category of Customer	Amount at 31 March 2017	Historical experience of default	Estimated maximum exposure at 31 March 2017	Amount at 31 March 2016	Historical experience of default	Estimated maximum exposure at 31 March 2016
	£'000	%	£'000	£'000	%	£'000
Rents	17,972	13.93%	**2,504**	21,598	7.37%	**1,591**
Right-to-buy service charges	1,406	3.84%	**54**	3,249	2.95%	**96**
s20 works	36,385	0.00%	**0**	24,520	0.00%	**0**
Other receivables	100,173	7.17%	**7,183**	77,290	10.31%	**7,966**
	155,936		**9,741**	**126,657**		**9,653**

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

15g. Deposits with banks and financial institutions

Deposits with banks and financial institutions	31 March 2017 £'000	31 March 2016 £'000
Investments with Banks	52,610	73,462
Investments with Building Societies	63,000	110,000

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

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

Aged Analysis of Financial Assets (excl Investments) 31 March 2017	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	5,441	0	21,710	371	**27,522**
Over 1 year	725	18,775	17,202	0	**36,702**
Total as at 31 March 2017	**6,166**	**18,775**	**38,912**	**371**	**64,224**

Aged Analysis of Financial Assets (excl Investments) 31 March 2016	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	6,545	6,944	37,333	2,140	52,962
Over 1 year	1,282	16,566	14,867	0	32,715
Total as at 31 March 2016	**7,827**	**23,510**	**52,200**	**2,140**	**85,677**

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

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

15i. Analysis by Maturity

Book Value at	31 March 2017 £'000	31 March 2016 £'000
Maturing in 1 to 10 years	63,620	63,620
Maturing in 10 to 20 years	65,025	65,025
Maturing in 20 to 30 years	22,437	22,437
Maturing in 30 to 40 years	147,105	99,025
Maturing in more than 40 years	114,530	162,610
	412,717	**412,717**

<u>Market Risk</u>

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 2017 a 1% change in interest rates would change the interest receivable by £0.03m.

16. Short –Term Debtors by category of counterparty

	31 March 2017 £'000	31 March 2016 £'000
Central government bodies	25,255	5,876
Other Local Authorities	8,352	24,388
Public Corporations and Trading Funds	0	266
National Health Service Bodies	3,744	9,252
Other Entities and Individuals	118,585	123,151
Total	**155,936**	**162,933**

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

	31 March 2017 £'000	31 March 2016 £'000
Central government bodies*	(43,290)	(35,535)
Other Local Authorities	(8,572)	(7,772)
Public Corporations and Trading Funds	(1,674)	(1,495)
National Health Service Bodies	(9,993)	(15,315)
Other Entities and Individuals	(122,676)	(108,939)
Total	**(186,205)**	**(169,058)**

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

18. Revenue Grants Receipts in Advance

	31 March 2017 £'000	31 March 2016 £'000
Dedicated Schools Grant	(6,638)	(4,539)
Housing and Council Tax (Benefit and Subsidy)	(3,688)	(3,883)
LSC - Adult & Community Learning	(699)	(909)
New Homes Bonus Scheme	(449)	(2,679)
S31 NDR Retail relief	(427)	(962)
Government Grants (under £500k)	(2,136)	(1,486)
Government Grants Subtotal	**(14,037)**	**(14,458)**
Non-Government Grants	(200)	(201)
Total Revenue Grant Receipts in Advance	**(14,237)**	**(14,659)**

19. Capital Grant Receipts in Advance

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

	31 March 2017 £'000	31 March 2016 £'000
Developers' contribution	(11,984)	(15,240)
Standard Fund	(189)	(5,612)
Other Grant	(2,878)	(1,161)
CURRENT LIABILITIES	**(15,051)**	**(22,013)**
Developers' contribution	(21,703)	(11,508)
Standard Fund	(5,550)	(286)
Other Grant	(1,847)	(3,045)
NON-CURRENT LIABILITIES	**(29,100)**	**(14,839)**
Total Capital Grants Receipts in Advance	**(44,151)**	**(36,852)**

20. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families – the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget has two components – one for a restricted range of services provided on an authority-wide basis and the other for the Individual Schools Budget, which is divided into a budget share for each school. The Council is required to account separately for overspends and underspends on the two components. Details of the deployment of DSG receivable for 2016/17 are as follows:

2016/17 DSG	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2016/17 before Academy recoupment			(268,513)
Less: Academy Figure recouped for 2016/17			49,905
Total DSG after Academy recoupment for 2016/17			**(218,608)**
Plus: Brought forward from 2015/16			(4,539)
Less: Carry-forward to 2017/18 advance			0
Agreed Initial Budgeted Distribution 2016/17	**(38,421)**	**(184,726)**	**(223,147)**
In-year Adjustments:	0	0	0
Less: 2015-16 Early Years Block adjustment made in 2016-17		(145)	(145)
Final budgeted distribution for 2016/17	**(38,421)**	**(184,871)**	**(223,292)**
Less: Actual Central expenditure	43,369	-	43,369
Less: CLA Deducted at Source	186	-	186
Add: VAT input reimbursed for CLA	(31)	-	(31)
Less: Actual ISB deployed to schools	-	173,130	173,130
Plus: Local Authority Contribution for 2015/16	0	0	0
Carried forward to 2017/18	**5,103**	**(11,741)**	**(6,638)**

21a. Leases – Authority as Lessee

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

	31 March 2017 £'000	31 March 2016 £'000
Not later than one year	3,490	3,805
Later than one year and not later than five years	6,607	8,092
Later than five years	4,145	2,743
	14,242	**14,640**

The leases relate to land, buildings, and vehicles, and are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. The total expenditure in 2016/17 was £3.924m.

21b. Leases – Authority as Lessor

(i) The Council has leased out three properties in the borough on a **finance lease** (Brixton Enterprise Centre, Gothic Lodge and The Young Vic Theatre). The Council's gross investment in the leases of £2.22m (£2.25m in 2015/16), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2015/16).

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£'000	£'000	£'000	£'000
Not later than one year	30	30	9	10
Later than one year and not later than five years	119	119	32	34
Later than five years	2,073	2,102	102	110
	2,222	**2,251**	**143**	**154**

Of the total of £2,222k, the element of unearned finance income was £1,800k, with £420k going towards repayment of the lease debtor (£1,829k and £421k in 2015/16). There was no contingent rent corresponding to these lease arrangements.

(ii) The Council's **operating leases** are for the provision of community services and for economic development purposes. The future minimum lease payments receivable relating to these arrangements are below:

	31 March 2017	31 March 2016
	£'000	£'000
Not later than one year	2,020	2,420
Later than one year and not later than five years	6,080	6,729
Later than five years	21,079	15,283
	29,179	**24,432**

The total contingent rent relating to these arrangements in 2016/17 was £1.05m (2015/16 £0.99m).

22. IFRIC 12 – Service Concession Arrangements (including PFI / PPP contracts)
The council has recognised six contracts on its Balance Sheet:

The **Home to School** contract provides transport services for children and young people with special needs being educated in the borough. The contract runs until 2017 on the same terms. Payments in 2016/17 were £2.712m.

The **Waste Management** contract provides services including street cleansing, waste collection and disposal, and a recycling service. The contract started in 2007 for an initial 7 years, and was extended until 2021 on the same terms. £4.2m of new assets were recognized in 2014/15. Payments in 2016/17 amounted to £17.5m.

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

Norwood Hall is a PFI started in June 2014 and £8.8m of new asset were recognized accordingly and £1.01m of payments were made in 2016/17. The contract will last for 24 years and the asset will revert to Lambeth at that time. It is a multi-purpose health and leisure facility for the benefits of the community.

The **Lilian Baylis** contract provided the rebuild of the secondary school in Kennington (which became operational in January 2005), and continues to provide further investment in infrastructure and maintenance at the site. The contract runs until July 2030, with payments in 2016/17 totalling £2.82m. Currently payments vary only with changes in RPIX (inflation) and no other factor.

Lambeth Lighting Services Ltd provides replacements, upgrades and new installations of street lighting throughout the borough. Payments in 2016/17 amounted to £2.45m and the contract will run until 2031.The authority will take full ownership of all created and refurbished lighting at the end of the contract.

Myatt's Field North Estate is being transformed by the construction of 305 new homes, refurbishment of 172 existing homes, and the creation of new streets, play areas and green spaces. The 25 year PFI contract started in 2012, with the construction phase of the project lasting until March 2017. In 2016/17 the value of new assets recognised on the balance sheet was £3.5m, with a total value of £80.7m recognised since the start of the contract. Payments on this contract in 2016/17 were £9.96m. 357 homes will be sold; the council will retain ownership.

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

	Lilian Baylis £'000	Norwood Hall £'000	Waste Fleet £'000	Home 2 School £'000	Lambeth Lighting £'000	Myatts Field North £'000	Total £'000
1 April 2016	**27,368**	**13,960**	**4,680**	**0**	**12,049**	**39,610**	**97,667**
Additions	187	0	934	0	85	3,489	**4,695**
Revaluations	0	0	0	0	0	3,717	**3,717**
Depreciation	(393)	(316)	(2,340)	0	(354)	(463)	**(3,866)**
Impairments	0	0	0	0	0	(7,155)	**(7,155)**
Other	0	0	0	0	0	(45)	**(45)**
31 March 2017	**27,162**	**13,644**	**3,274**	**0**	**11,780**	**39,153**	**95,013**

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

	Lilian Baylis £'000	Lambeth Lighting £'000	Norwood Hall £'000	Home to School £'000	Waste Mgt £'000	Myatts Field North £'000	Sub-Total £'000	Finance Lease* £'000	Total £'000
31 March 2015	**(10,553)**	**(9,400)**	**(8,559)**	**(757)**	**(3,058)**	**(75,884)**	**(108,211)**	**(384)**	**(108,595)**
Liability in year	0	0	0	0	0	(6,256)	**(6,256)**	384	**(5,872)**
Payments in year	304	600	226	242	197	1,275	**2,844**	0	**2,844**
31 March 2016	**(10,249)**	**(8,800)**	**(8,333)**	**(515)**	**(2,861)**	**(80,865)**	**(111,623)**	**0**	**(111,623)**
Liability in year						(3,489)	**(3,489)**	0	**(3,489)**
Payments in year	359	609	230	374	273	2,552	**4,397**	0	**4,397**
31 March 2017	**(9,890)**	**(8,191)**	**(8,103)**	**(141)**	**(2,588)**	**(81,802)**	**(110,715)**	**0**	**(110,715)**

22c. Details of payments due to be made under PFI, finance leases and similar contracts (separated into repayments of liability, interest and service charges) as at 31 March 2017 are set out in the table below.

	Lilian Baylis					Lambeth Lighting				
	Liability £'000	Interest £'000	Service £'000	PPE £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	PPE £'000	Total £'000
Within 1 year	397	1,528	862	192	**2,979**	598	704	1,217	115	**2,634**
2-5 years	2,139	6,161	3,668	711	**12,679**	2,503	2,376	5,176	490	**10,545**
6-10 years	3,666	7,256	5,125	1,668	**17,715**	3,086	1,765	7,353	1,000	**13,204**
11-15 years	3,687	4,253	3,122	666	**11,728**	2,004	425	6,097	1,182	**9,708**
Total	**9,890**	**19,198**	**12,776**	**3,237**	**45,101**	**8,191**	**5,270**	**19,843**	**2,787**	**36,091**

	Waste Management				Home To School			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	376	1,080	16,395	**17,851**	141	103	677	**921**
2-5 years	2,212	2,378	51,684	**56,274**	0	0	0	**0**
Total	**2,588**	**3,458**	**68,079**	**74,125**	**141**	**103**	**677**	**921**

	Myatts Field North				Norwood Hall			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	2,830	5,333	2,449	**10,612**	245	585	176	**1,006**
2-5 years	12,166	19,689	11,659	**43,514**	1,101	2,377	803	**4,281**
6-10 years	17,601	20,139	19,253	**56,993**	1,688	2,987	1,307	**5,982**
11-15 years	19,894	13,163	27,196	**60,253**	1,731	2,719	2,079	**6,529**
16-20 years	28,645	7,823	27,418	**63,886**	1,806	2,396	2,877	**7,079**
21-25 years	666	140	425	**1,231**	1,532	1,533	1,359	**4,424**
Total	**81,802**	**66,287**	**88,400**	**236,489**	**8,103**	**12,597**	**8,601**	**29,301**

23. Provisions

Description	31 March 2016 £'000	Additional provision £'000	Utilised £'000	Released £'000	31 March 2017 £'000
Dilapidations GF	(221)	(179)	0	0	(400)
Insurance Fund GF	(3,501)	(2,265)	2,100	0	(3,666)
NNDR Provision for Appeals	(8,355)	(13,357)	15,199	0	(6,513)
Single Status Provision	(676)	0	589	0	(87)
VPRS Provision GF	(3,578)	0	3,578	0	0
Small Provisions	(718)	(213)	335	300	(296)
Disputes	(1,408)	(1,008)	1,408	0	(1,008)
Sub-Total GF Provisions	**(18,457)**	**(17,022)**	**23,209**	**300**	**(11,970)**
Insurance Fund HRA	(2,634)	(366)	532	0	(2,468)
Litigation Provision	(3,322)	0	2,295	0	(1,027)
VPRS Provision HRA	(800)	0	800	0	0
Sub-Total HRA Provisions	**(6,756)**	**(366)**	**3,627**	**0**	**(3,495)**
Total Council Provisions	**(25,213)**	**(17,388)**	**26,836**	**300**	**(15,465)**

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

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

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

2016/17 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2016 £'000
Dilapidations GF	(400)	0	0	(400)
Insurance fund GF	(1,349)	(1,738)	(579)	(3,666)
NNDR Provision for Appeals	(6,513)	0	0	(6,513)
Single Status Provision	(87)	0	0	(87)
VPRS Provision GF	0	0	0	0
Small Provisions	(296)	0	0	(296)
Disputes	(1,008)	0	0	(1,008)
Sub-Total GF Provisions	**(9,653)**	**(1,738)**	**(579)**	**(11,970)**
Insurance Fund HRA	(908)	(1,170)	(390)	(2,468)
Litigation Provision	(1,027)	0	0	(1,027)
VPRS Provision HRA	0	0	0	0
Sub-Total HRA Provisions	**(1,935)**	**(1,170)**	**(390)**	**(3,495)**
Total Council Provisions	**(11,588)**	**(2,908)**	**(969)**	**(15,465)**

2015/16 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2016 £'000
Dilapidations GF	(221)	0	0	(221)
Insurance fund GF	(1,371)	(1,959)	(171)	(3,501)
NNDR Provision for Appeals	(8,355)	0	0	(8,355)
Single Status Provision	(676)	0	0	(676)
VPRS Provision GF	(3,578)	0	0	(3,578)
Small Provisions	(718)	0	0	(718)
Disputes	(1,408)	0	0	(1,408)
Sub-Total GF Provisions	**(16,327)**	**(1,959)**	**(171)**	**(18,457)**
Insurance Fund HRA	(1,031)	(1,474)	(129)	(2,634)
Litigation Provision	(3,322)	0	0	(3,322)
VPRS Provision HRA	(800)	0	0	(800)
Sub-Total HRA Provisions	**(5,153)**	**(1,474)**	**(129)**	**(6,756)**
Total Council Provisions	**(21,480)**	**(3,433)**	**(300)**	**(25,213)**

24. Contingent Liabilities

Provision has been made for the Council’s share of the estimated financial effect of appeals made by business ratepayers against their rates bills. This is shown in Note 23. No provision has been made for the cost of appeals which relate to periods prior to 31 March 2017 which have not yet been lodged as it has not been possible to quantify this amount. However, the Council’s share of the cost of such appeals is not expected to be material.

The Independent Inquiry into Child Sexual Abuse (IICSA) are investigating allegations of sexual abuse in children’s homes run by Lambeth. Shirley Oaks Survivors Association (SOSA) are a group representing former residents at Shirley Oaks, a children’s home run by the Council which closed in 1983. The inquiry is ongoing and liabilities that may be faced by the Council in this regard in future could be material.

There is one ongoing claim relating to an educational establishment which may result in a liability for the Council. The council is involved in a number of litigations and claims that were ongoing as at the 31st March 2017 but their outcome is not yet determined.

25. Pensions Schemes Accounted for as Defined Contribution Schemes

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

Teachers employed by the authority are members of the Teachers’ Pension Scheme, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members’ pensionable salaries. In 2016/17 the Council paid £12.2m to the TPA (£8.3m in 2015/16), representing 16.48% of pensionable pay (15.4% in 2015/16). The contributions due to be paid in the next financial year are estimated to be £11.3m in 2017/18 or 16.48% of pensionable pay. For 2016/17 the Council made contributions to the NHS Pension Scheme of £56K (£3K in 2015/16).

26a. Defined Benefit Pension Schemes

Participation in pension schemes

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

The Council participates in two funded defined benefit final salary schemes under the Local Government Pension Scheme (LGPS). The first is administered locally by Lambeth Pension Fund, to which most non-teaching Council employees belong. The governance of the scheme is the responsibility of the London Borough of Lambeth. The second is administered by the London Pensions Fund Authority (LPFA) to which most non-teaching staff employed in schools belong and the governance of the scheme is the responsibility of the Authority. The LGPS rewards years of service with rights to retirement lump sums and pensions based on final salaries. The Scheme also provides additional benefits for ill-health retirement, early retirement attributable to redundancy or in the interests of business efficiency and death in service. Both of these funds are part of the national Local Government Pension Scheme (LGPS), which as of 1st April 2014, changed from being a final salary scheme to a career average scheme.

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

The liabilities of the LBL Pension Fund and the LPFA Pension Fund attributable to the Council are assessed on an actuarial basis using the projected unit credit method, an estimate of the current value of benefits payable in future years, dependent on assumptions about future mortality rates, salary levels etc. The London Borough of Lambeth liabilities were assessed by Hymans Robertson LLP and the LPFA liabilities were assessed by Barnett Waddingham Public Sector Consulting, both of whom are independent firms of actuaries. Council liabilities are based on the latest full valuation of the scheme as at 31 March 2016.

	2016/17			2015/16		
	Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
	£000	£000	£000	£000	£000	£000
Opening Balance at 1 April	**(1,205,980)**	**1,805,127**	**599,147**	**(1,148,538)**	**1,915,577**	**767,039**
Current Service Cost	0	30,312	**30,312**	0	38,452	**38,452**
Past Service cost and gains/losses on curtailments	0	2,407	**2,407**	0	7,500	**7,500**
Interest Income and Expense	(42,177)	62,596	**20,419**	(37,690)	61,472	**23,782**
Admin Expense	82	0	**82**	99		**99**
Remeasurements						
• Return on Plan Assets	(180,350)	(50,510)	**(230,860)**	(18,912)	(2,460)	**(21,372)**
• Actuarial Gains and Losses arising from changes in demographic assumptions	(246)	(27,496)	**(27,742)**	0	0	**0**
• Actuarial Gains and Losses from changes in Financial Assumptions	0	289,399	**289,399**	0	(165,267)	**(165,267)**
Contributions						
• The Council	(52,009)	0	**(52,009)**	(51,086)	0	**(51,086)**
• Employees	(8,191)	8,191	**0**	(8,872)	8,872	**0**
Payments						
• Retirement Grants and Pensions	68,008	(68,008)	**0**	59,019	(59,019)	**0**
Closing Balance at 31 March	**(1,420,863)**	**2,052,018**	**631,155**	**(1,205,980)**	**1,805,127**	**599,147**

A change in any of the key assumptions can have a significant impact upon the size of the Council's pension liabilities, which would require the Council during its triennial review to adjust the amount it must pay the Lambeth Pension Fund. In 2016/17 this was equivalent to 16.8% of employee pay. The biggest risks include an increase in member life expectancy, salary and pension accumulation rate or a decrease in the real discount rate, which would have an impact on the Council's liability to the Pension Fund.

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

The principal assumptions used by the actuaries have been:

	LPFA 2016/17	LPFA 2015/16	Lambeth 2016/17	Lambeth 2015/16
Longevity at 65 for current pensioners: Men	**20.8 years**	21.3 years	**21.6 years**	21.7 years
Women	**23.7 years**	24.4 years	**23.9 years**	24.0 years
Longevity at 65 for future pensioners: Men	**23.1 years**	23.8 years	**23.8 years**	24.3 years
Women	**26.0 years**	26.8 years	**26.0 years**	26.6 years
Rate of increase in salaries	**3.9%**	3.9%	**2.8%**	4.2%
Rate of increase in pensions(CPI)	**2.4%**	2.1%	**2.4%**	2.2%
Rate for discounting scheme liabilities	**2.3%**	3.4%	**2.6%**	3.5%

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 29. The Council is entitled to 97% of the assets and liabilities of the Pension Fund, details of which can be found within the Pension Fund notes 1-24. The Council's share of the LPFA Asset Breakdown can be found below, but it must be remembered that the Council only represents 1% of the assets.

Employer Asset Share – Bid Value	31 March 2017 £'000s	%	31 March 2016 £'000s	£'000s
Equities	43,412	60	29,373	46
LDI/Cashflow matching	0	n/a	6,409	10
Target Return Portfolio	15,481	21	13,449	22
Infrastructure	3,858	5	3,464	5
Commodities	0	n/a	283	0
Property	3,735	5	2,256	4
Cash	6,779	9	7,994	13
Total	**73,265**	**100**	**63,228**	**100**

There has been an overall increase in the net pension liability for 2016-17. The Council's obligations are an estimate, based on the best evidence that the actuaries have at March 31st 2017.

The Council's agreed strategy with the actuary is to achieve a funding level of 100% over 20 years (March 31st 2033). Funding levels are monitored annually and the next triennial valuation is due to be completed 31st March 2019. The estimated employers' contributions for the year ending 31 March 2018 will be approximately £33,414,000. The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

26b. Transactions relating to retirement benefits

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

Comprehensive Income and Expenditure Statement	2016/17 £000	2015/16 £000
Cost of Services		
Current Service Cost	30,312	38,452
Past Service cost and gains/losses on curtailments	2,407	7,500
Admin Expense	82	99
Financing and Investment Income and Expenditure		
Interest Income and Expense (Net)	20,419	23,782
Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**53,220**	**69,833**
Re-measurements of the Net Defined Benefit Liability		
• Return on Plan Assets	(230,860)	(37,492)
• Actuarial Gains and Losses from changes in Financial Assumptions	289,399	(165,267)
• Actuarial Gains and Losses arising from changes in demographic assumptions	(27,742)	0
Total Re-measurements Recognised in CIES	**30,797**	**(202,759)**
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**84,017**	**(132,926)**

27. Trust Funds

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

	Balance at 31 March 2017 £'000	Balance at 31 March 2016 £'000
Monies Held on behalf of adult care clients	(5,875)	(4,611)
Monies Held on behalf of children in care	(18)	(18)
Wellington Mills - Housing Corporative	(307)	(307)
Others*	(293)	(290)
Total Trust Funds	**(6,493)**	**(5,226)**

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

NOTES TO THE MOVEMENT IN RESERVES STATEMENT

28. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves						
2016/17	General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Unusable Reserves £000s	Relevant Unusable Reserve
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	100	234	0	0	0	**(334)**	Financial Instruments Adjustment Account
· Pensions costs	(4,394)	3,183	0	0	0	**1,211**	Pensions Reserve
· Council tax	4,275	0	0	0	0	**(4,275)**	Collection Fund Adjustment Account
· Holiday pay	(19)	(5)	0	0	0	**24**	Accumulated Absences Account
Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
· Amortisation of intangible assets	(2,087)	(75)	0	0	0	**2,162**	Capital Adjustment Account
· Charges for depreciation and impairment	(33,826)	(47,958)	0	0	0	**81,784**	
· Revenue expenditure funded from capital under statute	(10,675)		0	0	0	**10,675**	
· Carrying amounts of non-current assets written off on disposal or sale	(18,061)	(27,098)	0	0	0	**45,159**	
· Capital grant income	25,337	0	0	0	(1,928)	**(23,409)**	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	1,820	38,493	(20,075)	0	0	**(20,238)**	
Use of capital receipts for revenue purposes:							
· Administrative costs of non-current asset disposals	0	(660)	660	0	0		
· Payments to the Government housing receipts pool	(3,373)	0	3,373	0	0		
Posting of HRA resources from revenue to the Major Repairs Reserve	0	27,957	0	(27,957)	0		
Statutory revenue provisions for the financing of capital investment	2,319	0	0	0	0	**(2,319)**	Capital Adjustment Account
Capital expenditure financed from revenue balances	4,305	13,948	0	0	0	**(18,253)**	
Adjustments to Capital Resources							
Repayments of capital loans and mortgages	0	0	(3)	0	0	**3**	Deferred Capital Receipts
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	10,681	0	0	**(10,681)**	Capital Adjustment Account
Capital Receipts set Aside – regulation 23 (b)	0	0	0	0	0		
Application of S. 106 Receipts to Finance new Capital	5,459	789	0	0	0	**(6,248)**	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	27,882	0	**(27,882)**	
Application of capital grants to finance capital expenditure	0	0	0	0	1,733	**(1,733)**	
Cash payments in relation to deferred capital receipts	0	(1)	0	0	0	**1**	Deferred Capital Receipts
Total Adjustments	**(28,820)**	**8,807**	**(5,364)**	**(75)**	**(195)**	**25,647**	

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.

2015/16	Usable Reserves: General Fund Balance £000s	Usable Reserves: Housing Revenue Account £000s	Usable Reserves: Capital Receipts Reserve £000s	Usable Reserves: Major Repairs Reserve £000s	Usable Reserves: Capital Grants Unapplied £000s	Unusable Reserves £000s	Relevant Unusable Reserve
Adjustments to Revenue Resources							
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements:							
· Financial instruments	100	234	0	0	0	(334)	Financial Instruments Adjustment Account
· Pensions costs	(20,858)	2,111	0	0	0	18,747	Pensions Reserve
· Council tax	(614)	0	0	0	0	614	Collection Fund Adjustment Account
· Holiday pay	99	(163)	0	0	0	64	Accumulated Absences Account
Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure:							
· Amortisation of intangible assets	(444)	0	0	0	0	444	Capital Adjustment Account
· Charges for depreciation and impairment	(4,946)	(698)	0	0	0	5,644	
· Revenue expenditure funded from capital under statute	(14,172)	0	0	0	0	14,172	
· Carrying amounts of non-current assets written off on disposal or sale	(6,832)	(18,785)	0	0	0	25,617	
· Capital grant income	29,042	10,918	0	0	(8,287)	(31,673)	
Transfers between Revenue and Capital Resources							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	13,299	37,092	(50,391)	0	0	0	
Use of capital receipts for revenue purposes:							
· Administrative costs of non-current asset disposals	(101)	0	101	0	0	0	
· Payments to the Government housing receipts pool	(3,488)	0	3,488	0	0	0	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	50,803	0	(50,803)	0	0	
Statutory revenue provisions for the financing of capital investment	3,866	0	0	0	0	(3,866)	Capital Adjustment Account
Capital expenditure financed from revenue balances	3,543	0	0	0	0	(3,543)	
Adjustments to Capital Resources							
Repayments of capital loans and mortgages	0	0	(12)	0	0	12	Deferred Capital Receipts
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	9,033	0	0	(9,033)	Capital Adjustment Account
Capital Receipts set Aside – regulation 23 (b)	0	0	0	0	0	0	
Application of S. 106 Receipts to Finance new Capital	4,776	504	0	0	0	(5,280)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	55,632	0	(55,632)	
Application of capital grants to finance capital expenditure	0	0	0	0	2,833	(2,833)	
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0	Deferred Capital Receipts
Total Adjustments	**3,270**	**82,016**	**(37,781)**	**4,829**	**(5,454)**	**(46,880)**	

29a. Usable Reserves

	31 March 2017 £'000	31 March 2016 £'000
General Fund	(22,524)	(22,436)
LMS Balances	(15,964)	(19,663)
Earmarked Reserves – General Fund*	(50,240)	(65,712)
Earmarked Reserves - HRA	(45,184)	(41,965)
Housing Revenue Account	(10,747)	(10,746)
Capital Receipts Reserve	(68,918)	(63,554)
Capital Grants Unapplied Account	(58,919)	(58,724)
Major Repairs Reserve	(75)	0
Total Usable Reserves	**(272,570)**	**(282,799)**

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

29b. LMS Balance – Ring-fenced for the local management of schools

	2016/17 £'000	2015/16 £'000
Balance at 1 April	(19,663)	(20,465)
Overspent School Balances	5,403	4,340
Underspent School Balances	(1,704)	(3,538)
Balance at 31 March	**(15,964)**	**(19,663)**

29c. General Fund and Housing Revenue Account Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2016/17.

General Fund Reserves	Balance at 31 March 2016 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2017 £'000
Earmarked Grants & Budget Carry-Forwards	**(13,271)**	(1,106)	6,761	**(7,616)**
Information and Communication Technology Investment	**(2,719)**	0	1,358	**(1,361)**
Insurance and Risk Management	**(5,930)**	(85)	2,704	**(3,311)**
Property and Assets	**(13,343)**	(586)	1,729	**(12,200)**
Transformation	**(13,793)**	(800)	6,999	**(7,594)**
CIL Reserve	**(16,656)**	(18,104)	16,602	**(18,158)**
GF Sub-total	**(65,712)**	**(20,681)**	**36,153**	**(50,240)**
Housing Revenue Account Reserves				
Insurance and Risk Management	**(16,248)**	(10,700)	2,106	**(24,842)**
Property and Assets	**(25,717)**	(2,819)	8,194	**(20,342)**
HRA Sub-total	**(41,965)**	**(13,519)**	**10,300**	**(45,184)**
Council Total	**(107,677)**	**(34,200)**	**46,453**	**(95,424)**

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

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

The **Insurance and Risk Management** reserves set aside funding to meet potential future costs that may fall to the Council. The largest single element, the Insurance Fund, at £2m in General Fund and £1.5m in the HRA, is intended to provide the means to self-insurance (thus reducing the expenditure on insurance premiums).

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

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

29d. Capital Receipts Reserve – Holds proceeds from the disposal of land or other assets. Statute restricts the use of the proceeds to the funding of new or historical capital expenditure.

	2016/17 £'000	2015/16 £'000
Balance brought forward 1 April	**(63,554)**	**(25,773)**
Capital receipts in year	(20,075)	(50,391)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	3,373	3,488
Disposal costs	660	101
Repayment of mortgage principal	(3)	(12)
Capital Receipts set aside – regulation 23 (a)	0	0
Financing of capital expenditure	10,681	9,033
Balance carried forward 31 March	**(68,918)**	**(63,554)**

29e. Capital Grants Unapplied Account – Holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

	2016/17 £'000	2015/16 £'000
Balance brought forward 1 April	**(58,724)**	**(53,270)**
Grants transferred to the account in year	(1,928)	(8,287)
Grants applied to capital expenditure	1,733	2,833
Balance carried forward 31 March	**(58,919)**	**(58,724)**

29f. Major Repairs Reserve – Controls an element of the capital resources set aside for use on HRA assets or for financing historical capital expenditure by the HRA.

	2016/17 £'000	2015/16 £'000
Balance brought forward	**0**	**(4,829)**
Decent Homes Funding	0	(23,284)
Additional transfer to the Major Repairs Reserve	0	0
Debits to the MRR in respect of capital expenditure	27,882	55,632
Transfer from HRA equal to depreciation	(27,957)	(27,519)
Total	**(75)**	**0**

30. Unusable Reserves

Unusable Reserve	Opening Balance 1 April 2016 £000	Other Comprehensive Income and Expenditure 2015/16 (CIES) £000	Adjustments between Accounting and Funding Basis 2016/17: Adjustments to Revenue Resources £000	Transfers Between Revenue and Capital Resources £000	Adjustments to Capital Resources £000	Other Movements* £000	Closing Balance 31 March 2017 £000
Revaluation Reserve	**(1,006,831)**	(27,837)	0	0	0	58,163	**(976,505)**
Financial Instruments Adjustment Account	**1,918**	0	(334)	0	0	0	**1,584**
Pensions Reserve	**599,148**	30,797	1,211	0	0	0	**631,156**
Collection Fund Adjustment Account	**(12,537)**	0	(4,275)	0	0	0	**(16,812)**
Accumulated Absences Account	**4,339**	0	24	0	0	0	**4,363**
Capital Adjustment Account	**(1,962,782)**	0	116,371	(20,572)	(46,544)	(58,163)	**(1,971,690)**
Deferred Capital Receipts	**(398)**	0	0	(20,238)	4	0	**(20,632)**
Total	**(2,377,143)**	**2,960**	**112,997**	**(40,810)**	**(46,540)**	**0**	**(2,348,536)**

Unusable Reserve	Opening Balance 1 April 2015 £000	Other Comprehensive Income and Expenditure 2014/15 (CIES) £000	Adjustments between Accounting and Funding Basis 2015/16: Adjustments to Revenue Resources £000	Transfers Between Revenue and Capital Resources £000	Adjustments to Capital Resources £000	Other Movements* £000	Closing Balance 31 March 2016 £000
Revaluation Reserve	**(707,089)**	(322,825)	0	0	0	23,083	**(1,006,831)**
Financial Instruments Adjustment Account	**2,252**	0	(334)	0	0	0	**1,918**
Pensions Reserve	**767,039**	(186,638)	18,747	0	0	0	**599,148**
Collection Fund Adjustment Account	**(13,151)**	0	614	0	0	0	**(12,537)**
Accumulated Absences Account	**4,275**	0	64	0	0	0	**4,339**
Capital Adjustment Account	**(1,873,716)**	0	14,204	(7,409)	(72,778)	(23,083)	**(1,962,782)**
Deferred Capital Receipts	**(410)**	0	0	0	12	0	**(398)**
Total	**(1,820,800)**	(509,463)	33,295	(7,409)	(72,766)	0	**(2,377,143)**

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

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

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

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

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

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

Capital Adjustment Account - Absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.
The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

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

Financial Instruments Adjustment Account - Absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance and Housing Revenue Account (HRA) to the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance and HRA in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed (maximum of 10 years on the HRA). As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 10 years and to the HRA for the next three years.

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

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

NOTES TO THE CASH FLOW STATEMENT

31. Investing Activities

	2016/17 £'000	2015/16 £'000
Purchase of property, plant and equipment, investment property and intangible assets	207,797	134,422
Purchase of short-term and long-term investments	118,000	241,000
Proceeds from the sale of property, plant and equipment and intangible assets	(20,075)	(50,391)
Proceeds from short-term and long-term investments	(210,000)	(183,000)
Other receipts from investing activities	(45,774)	(64,884)
Net cash flows from investing activities	**49,948**	**77,147**

32. Financing Activities

	2016/17 £'000	2015/16 £'000
Cash receipts of short and long-term borrowing	(4)	(1)
Council Tax and NNDR adjustments	(7,378)	(1,384)
Other receipts from financing activities	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,397	2,844
Repayments of short- and long-term borrowing	0	0
Net cash flows from financing activities	**(2,985)**	**1,459**

33. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2016/17 £'000	2015/16 £'000
Interest received	(1,883)	(1,062)
Interest paid	32,777	32,719

34. Cash and Cash Equivalents

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

	31 March 2017 £'000	31 March 2016 £'000
Cash held by the Authority	53	53
Bank current accounts in current assets	25,317	17,471
Short-term deposits with banks	2,610	23,462
Held within Current Assets	**27,980**	**40,986**
Bank overdrafts (Held within current liabilities)	0	0
Total Cash and Cash Equivalents	**27,980**	**40,986**

HRA INCOME AND EXPENDITURE ACCOUNT

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

	Note	2016/17 £'000	£'000	2015/16 £'000	£'000
Income					
Dwelling rents		(137,283)		(139,090)	
Non dwelling rents		(4,165)		(4,239)	
Charges for services and facilities		(34,790)		(36,324)	
Contributions Towards Expenditure		(724)		(1,310)	
PFI Credit		(7,729)		(7,729)	
			(184,691)		**(188,692)**
Expenditure					
Repairs and maintenance		27,589		28,253	
Supervision and management		72,545		77,993	
Rents, rates, taxes and other charges		8,235		12,351	
Depreciation of property, plant and equipment	41	27,957		27,519	
Impairment / Revaluation loss	41	20,076		(26,821)	
Debt management expenses		0		0	
Increase in Bad Debt Provision		1,209		1,365	
			157,611		**120,660**
Net cost of HRA services included in the Comprehensive Income and Expenditure Statement			**(27,080)**		**(68,032)**
HRA share of Corporate and Democratic Core			689		934
Net Expenditure of HRA Services			**(26,391)**		**(67,098)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement					
Interest payable and similar charges – other			26,397		22,477
Gain or Loss on disposal			(10,734)		(18,307)
Interest and investment income			(509)		(544)
Capital Grants and Contributions - other			(790)		(34,706)
(Surplus)/Deficit for the year on HRA services			**(12,027)**		**(98,178)**

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2016/17 £'000	2015/16 £'000
Balance on the HRA at the end of the previous year	**(10,746)**	**(10,037)**
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(12,027)	(98,178)
Adjustments Between Accountancy Basis and Funding Basis under Statute	8,807	82,016
Net (Increase) or Decrease before Transfers to or from Reserves	**(3,220)**	**(16,162)**
Transfers to or (from) Reserves (see Note 30c)	3,220	15,453
(Increase) or Decrease in year on the HRA	**0**	**(709)**
Balance on the HRA at the end of the current year	**(10,746)**	**(10,746)**

35. Analysis of the movement on the HRA balance:

	2016/17 £'000	2015/16 £'000
Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	234	234
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:		
Impairments / Revaluation loss	(20,076)	26,821
Capital Grants and Contributions	0	34,202
S106 Reversal	790	504
Depreciation of non-current assets	(27,957)	(27,519)
Carrying amount of non-current assets disposed of	(27,098)	(18,785)
Mitigation of accumulated absences provision	(6)	(163)
Net charges made for retirement benefits in accordance with IAS 19	(4,412)	(6,425)
Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:		
Capital expenditure financed from revenue balances	13,948	0
Minimum Revenue Provision	0	0
Transfer to Major Repairs Reserve	27,957	27,519
Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets	37,833	37,092
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	7,594	8,536
Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves	**8,807**	**82,016**

36. Housing stock

	31 March 2017	31 March 2016
Flats	19,860	19,964
Houses	3,917	3,907
Multi-occupied	181	174
Shared ownership	0	0
Total	**23,958**	**24,045**

37. HRA assets

	31 March 17 £'000	31 March 16 £'000
Council dwellings	2,227,514	2,169,373
Other Land & Buildings	120,048	291,682
Community Assets	177	177
Surplus	16,101	5,314
Assets held for sale	0	0
Vehicles, Plant & Equipment	18,023	5,779
Assets under Construction	10,182	1,140
Intangibles	227	302
TOTAL	**2,392,272**	**2,486,479**

38. Capital expenditure, financing and receipts

	2016/17 £'000	2015/16 £'000
HRA capital expenditure		
Works to dwellings	98,914	82,432
Other Land & Buildings	6	266
Vehicles, Plant & Equipment	15,459	169
Intangible Assets	0	302
Assets Under Construction	5,424	1,191
Revenue funded from capital under statute	775	1,095
	120,578	**85,455**
Financing of capital expenditure		
Borrowing	66,240	22,049
Usable Capital Receipts	11,718	3,648
Major Repairs Reserve less Decent Homes	27,882	32,348
Grants (including Decent Homes)	0	26,906
S106	790	504
Reserves / Revenue	13,948	0
Total	**120,578**	**85,455**

39. Depreciation and impairment

	2016/17 £'000	2015/16 £'000
Depreciation charged for the year		
Operational assets		
- dwellings	25,312	23,679
- other property	2,319	3,822
Non-operational assets		
- dwellings	309	18
- other property	17	0
Total Depreciation	**27,957**	**27,519**
Impairments and revaluation losses charged for the year		
Operational assets		
- dwellings	21,232	3,789
- other property	228	1,525
	21,460	**5,314**
Impairment losses reversed		
Operational assets		
- dwellings	(1,384)	(26,024)
- other property		(6,093)
Non-operational assets		
- dwellings		(18)
	(1,384)	**(32,135)**
Net Impairment	**20,076**	**(26,821)**

40. Rent arrears

	2016/17 £'000	2015/16 £'000
Arrears as at 31 March	11,928	12,969
Provision for bad debts	(7,101)	(7,740)
Collectable amount	**4,827**	**5,229**

41. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31st March 2017 was £8.920 billion which has been reduced to £2.230 billion to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents.

42. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £4.45m (charge of £6.43m in 2015/16), as per proper practice. The impact of this on the HRA balance is nullified by means of a reversing entry in the Movement in Reserves Statement.

COLLECTION FUND

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

COLLECTION FUND	2016/17 NNDR	2016/17 Council Tax	2016/17 Total	2015/16 NNDR	2015/16 Council Tax	2015/16 Total
	£000	£000	£000	£000	£000	£000
INCOME						
Council Tax Receivable		(136,150)	**(136,150)**		(127,165)	**(127,165)**
Business Rates Receivable	(124,047)		**(124,047)**	(121,944)		**(121,944)**
Business Rates Supplement	(3,810)		**(3,810)**	(3,776)		**(3,776)**
	(127,857)	**(136,150)**	**(264,007)**	**(125,720)**	**(127,165)**	**(252,885)**
EXPENDITURE						
LB Lambeth	36,944	98,910	**135,854**	36,511	92,275	**128,786**
Central Government	61,574	0	**61,574**	60,851	0	**60,851**
Greater London Assembly (GLA)	24,629	27,818	**52,447**	24,340	28,845	**53,185**
Business Rates Supplement						
Payment to GLA	3,810		**3,810**	3,766		**3,766**
Charges to Collection Fund						
Write-offs of uncollectable amounts	(1,186)	4,300	**3,114**	921	5,208	**6,129**
Increase/(Decrease) in Bad Debt Provisions	1,813	(354)	**1,459**	(1,036)	(5,427)	**(6,463)**
Increase/(Decrease) in Provision for Appeals	0	0	**0**	6,139		**6,139**
Transitional Protection Payments	(2,020)	0	**(2,020)**	(1,092)		**(1,092)**
Cost of Collection	487	0	**487**	491		**491**
	126,051	**130,674**	**256,725**	**130,891**	**120,901**	**251,792**
(Surplus) / Deficit) during year	**(1,806)**	**(5,476)**	**(7,282)**	**5,171**	**(6,264)**	**(1,093)**
Collection Fund (Surplus)/Deficit at 1 April	**14,677**	**(21,864)**	**(7,187)**	**12,662**	**(22,545)**	**(9,883)**
Fund balance distributed in year	(13,931)	6,725	**(7,206)**	(3,156)	6,945	**3,789**
(Surplus) / Deficit during year	(1,806)	(5,476)	**(7,282)**	5,171	(6,264)	**(1,093)**
Collection Fund (Surplus)/Deficit at 31 March	**(1,060)**	**(20,615)**	**(21,675)**	**14,677**	**(21,864)**	**(7,187)**
Analysis of Fund balance distributed in year:						
LB Lambeth	(4,179)	5,249	**1,070**	(947)	5,249	**4,302**
Central Government	(6,966)		**(6,966)**	(1,578)	0	**(1,578)**
GLA	(2,786)	1,476	**(1,310)**	(631)	1,696	**1,065**
	(13,931)	**6,725**	**(7,206)**	**(3,156)**	**6,945**	**3,789**

SHARE OF BALANCES BETWEEN LONDON BOROUGH OF LAMBETH AND ITS PRECEPTORS

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

COLLECTION FUND	Total Collection Fund £'000s		Central Government £'000s		London Borough of Lambeth £'000s		Greater London Assembly £'000s	
	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR	CTAX	NNDR
Apportionment Basis	**100%**	**100%**	**N/A**	**50%**	**78.05%**	**30%**	**21.95%**	**20%**
Arrears	**31,119**	**4,300**	**N/A**	**2,150**	**24,288**	**1,290**	**6,831**	**860**
Bad Debt Provision	**(18,490)**	**(3,289)**	**N/A**	**(1,645)**	**(14,431)**	**(987)**	**(4,059)**	**(658)**
Appeals Provision	**N/A**	**(21,712)**	**N/A**	**(10,856)**	**N/A**	**(6,514)**	**N/A**	**(4,342)**
Overpayments & Pre-payments	**(4,341)**	**(8,885)**	**N/A**	**(4,442)**	**(3,388)**	**(2,665)**	**(953)**	**(1,777)**
(Surplus)/Deficit	**(20,615)**	**(1,060)**	**N/A**	**(530)**	**(16,090)**	**(318)**	**(4,525)**	**(212)**

NOTES TO THE COLLECTION FUND

43. Council Tax

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

For the year ended 31 March 2017, the band D Council Tax was set at £1,257.35 based upon a tax base of 100,789 (for 2015/16, £1,238.70 based upon a tax base of 97,780) and included the £276.00 requirement of the Greater London Authority (£295.00 in 2015/16). The table below shows the calculation of the Council Tax Base for 2016/17.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,668	2,866	6/9	1,911
B	31,796	19,899	7/9	15,477
C	39,603	30,015	8/9	26,680
D	30,418	24,409	9/9	24,409
E	14,382	12,256	11/9	14,979
F	8,779	7,850	13/9	11,339
G	5,162	4,903	15/9	8,172
H	781	738	18/9	1,477
TOTALS	135,589	102,936		104,444
Adjustment for collection rate				(3,655)
Tax base for Council Tax purposes				**100,789**

44. National Non-Domestic Rates are set by Parliament, which specifies an amount, 49.7p in 2016/17 (49.3p in 2015/16) as the standard multiplier and 48.4p as the small business rate multiplier (48.0p in 2015/16). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2016/17 NNDR income is based upon a total rateable value for the borough of £312.5m as at 31 March 2017 (£314.9m at 31 March 2016).

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

In 2016/17, the payment is based upon the 2016/17 estimated collection and 2015/16 surplus/deficit. However, as the 2016/17 NNDR1 is returned before the end of 2015/16, in 2017/18 an adjustment must be made between the actual and the estimated surplus/deficit. Every subsequent year, an adjustment figure is required, but in Year 2, only the estimated collection, the estimated deficit/surplus and the Appeals Provision, Transition Costs and Bad Debt Provision charges form part of the Collection Fund. The Appeals Provision figure reflects estimated losses from businesses successfully appealing past rates, while the bad debt provision reflects the probable non-payment of rates whose debt was legitimately raised.

45. Business Rate Supplements (BRS)

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

The accounting statement shows:

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

Fund Account, Net Assets and Notes

FUND ACCOUNT		2016/17 £000	2015/16 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(56,513)	(54,598)
Transfers in from other pension funds	8	(2,769)	(2,790)
		(59,282)	(57,388)
Benefits	9	55,794	50,765
Payments to and on account of leavers	10	4,316	3,023
		60,110	53,788
Net (additions)/withdrawals from dealing with members.		828	(3,600)
Management expenses	11	3,285	3,378
Net additions/withdrawals including fund management expenses		4,113	(222)
Returns on investments:			
Investment Income	12	(31,935)	(32,434)
Tax on Income	13	253	654
Profit and loss on disposal of investments and changes in the market value of investments and currency	14a	(176,201)	26,698
Foreign Exchange gain		(1,069)	(337)
Net return on investments		(208,951)	(5,419)
Net increase in the net assets available for benefits during the year		**(204,838)**	**(5,641)**
Net Assets of the fund at 1 April		(1,141,917)	(1,136,276)
Net Assets of the fund at 31 March		**(1,346,755)**	**(1,141,917)**

NET ASSET STATEMENT	Notes	2016/17 £000	2015/16 £000
Investment Assets	14	1,334,976	1,134,656
Cash Deposits	14	5,103	10,072
Total Net Assets		**1,340,079**	**1,144,728**
Investment Liabilities:			
Current Assets	20	9,399	13,612
Current Liabilities	21	(2,723)	(16,423)
Net assets of the fund available to fund benefits at the period end.		**1,346,755**	**1,141,917**

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

Note 1: Description of the Fund

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

The following description of the fund is a summary only. For more detail, reference should be made to the Lambeth Pension Fund Annual Report 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

1) General

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Lambeth Council to provide pensions and other benefits for pensionable employees of Lambeth Council and a range of other scheduled and admitted bodies within the borough area.

The fund is overseen by the Lambeth Pension Fund Committee, which is a committee of Lambeth Council.

2) Membership

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

Organisations participating in the Lambeth Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.
- Admitted bodies, which are other organisations that participate in the fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable, and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 21 employer organisations within Lambeth Pension Fund including the Lambeth council itself, as detailed below.

Lambeth Pension Fund	31 March 17	31-Mar-16
Number of employers with active members	21	23
Number of employees in scheme		
Lambeth council	5,235	5,032
Other employers	351	346
Total	**5,586**	**5,378**
Number of pensioners		
Lambeth council	7,028	6,746
Other employers	43	55
Total	**7,071**	**6,801**
Deferred pensioners		
Lambeth council	8,147	7,994
Other employers	138	157
Total	**8,285**	**8,151**
Total number of members in pension scheme	**20,942**	**20,330**

3) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 17% to 42% of pensionable pay.

4) Benefits

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

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

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

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to the Lambeth Pension Fund scheme handbook available from Town Hall.

Note 2: Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Note 3: Summary of Significant Accounting Policies

Fund account – revenue recognition

a) Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current asset. Amounts not due until future years are classed as long term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see notes 8 and 10).

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

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

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

c) Investment income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Movement in the net market value of investments

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

Fund account – expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

All investment management expenses are accounted for an accruals basis.

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

Where an investment manager’s fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2016/17, £0.1m of fees is based on such estimates (2015/16: £0.7m).

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

Net asset statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

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

i) Market-quoted investments

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

ii) Fixed interest securities

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

iii) Unquoted investments

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

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

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

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

Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited. Partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

iv) Pooled investment vehicles

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

h) Foreign currency transactions

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

j) Cash and cash equivalents

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

k) Financial liabilities

The fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

l) Actuarial present value of promised retirement benefits

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

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

m) Additional voluntary contributions

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

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

AVCs are not included in the accounts in accordance with section 4(1) (b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 21)

Note 4: Critical Judgements in Applying Accounting Policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2017 was £57.6m (31 March 2016: £47.1m).

Pension fund liability

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

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

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

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends, and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £167m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £36.8m, and a one-year increase in assumed life expectancy would increase the liability by approximately £52m.
Private equity (Note 14)	Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2017 is £57.6m.	The total (called) private equity investment in the financial statements is £57.6m. There is a risk that this investment may be under-or overstated in the accounts. Private Equity is illiquid for holding until its maturity of 12 years.
Hedge fund of funds (Note 14)	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £71.6m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £3.5m.

Note 6: Events after the Reporting Date

There have been no events since 31 March 2017, up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 7: Contributions Receivable

Category	2016/17 £000	2015/16 £000
Members	8,757	9,180
Employer:		
Normal contribution	26,368	25,418
Deficit recovery contribution	21,388	20,000
Total employer's contribution	47,756	45,418
Total	**56,513**	**54,598**

Authority	2016/17 £000	2015/16 £000
Administering authority	52,686	51,920
Scheduled bodies	1,892	1,961
Admitted bodies	304	323
Community admission body	1,476	294
Transferee admission body	155	100
Total	**56,513**	**54,598**

Note 8: Transfers in from Other Pension Funds

	2016/17 £'000	2015/16 £'000
Individual transfer	2,769	2,790
Total	**2,769**	**2,790**

Note 9: Benefits Payable

Category	2016/17 £'000	2015/16 £'000
Pensions	44,211	42,479
Commutation and lump sum retirement benefits	10,540	7,525
Lump sum death benefits	1,043	761
Total	**55,794**	**50,765**

Authority	2016/17 £000	2015/16 £000
Administering authority	55,466	50,607
Scheduled bodies	34	0
Admitted bodies	169	84
Community admission body	125	74
Total	**55,794**	**50,765**

Note 10: Payments to and on Account of Leavers

	2016/17 £000	2015/16 £000
Refund to members leaving service	140	141
Individual transfers	4,176	2,882
Total	**4,316**	**3,023**

Note 11: Management Expenses

	2016/17 £000	2015/16 £000
Administrative costs	1,341	1,037
Investment management expenses	1,945	2,341
Total	**3,286**	**3,378**

Note 11a: Investment Management Expenses

	2016/17 £000	2015/16 £000
Management fees	1,784	2,304
Custody fees	42	37
Transaction costs	119	0
Total	**1,945**	**2,341**

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

The total management expenses incurred for the year was £6.8m (2015-16 6.0m) of which only £2.2m was actually remitted; the remainder was deducted in the daily pricing of the individual portfolios.

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

Note 12: Investment Income

	2016/17 £000	2015/16 £000
Fixed interest securities	11,352	11,901
Equity dividends	5,281	5,793
Private equity income	9,211	9,603
Pooled property investments	4,101	3,946
Pooled investments - unit trust and other managed funds	1,279	276
Interest on cash deposits	20	132
Other	691	783
Total	**31,935**	**32,434**

Note 13a: Taxes on Income

	2016/17 £000	2015/16 £000
Tax – equities	53	565
Withholding tax – pooled	200	89
Total	**253**	**654**

Note 13b: External Audit Costs

	2016/17 £000	2015/16 £000
Payable in respect of external audit	21	21
Total	**21**	**21**

Note 14: Investments

	2016/17 £000	2015/16 £000
Fixed interest securities	356,898	326,659
Equities	160,335	151,084
Pooled investments	632,605	495,733
Pooled property investments	126,868	113,285
Private equity	57,595	47,067
London CIV	150	150
Cash deposits	5,103	10,072
Investment income due	525	678
Total	**1,340,079**	**1,144,728**

Note 14a: Reconciliation of Movements in Investments

	Market value 1 April 2016	Purchases during the year	Transfers IN	Sales during the year	Transfers OUT	Movement in cash during the year	Change in market value during the year	Market value 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	326,658	116,274		(104,957)			18,891	356,866
Equities	151,084	110,035		(134,662)			33,904	160,361
Pooled investments	495,734	1,279	238,655	(50,000)	(158,774)		105,711	632,605
Pooled property investments	113,285			(467)			14,050	126,868
Private equity	47,067	6,883					3,645	57,595
London CIV	150							150
Cash Deposits	10,072					(4,969)		5,103
Cash balance						6		6
Investment income due	678					(153)		525
Total	**1,144,728**	**234,471**	**238,655**	**(290,086)**	**(158,774)**	**(5,116)**	**176,201**	**1,340,079**

	Market value 1 April 2015	Purchases during the year	Sales during the year	Movement in cash during the year	Change in market value during the year	Market value 31 March 2016
	£000	£000	£000	£000	£000	**£000**
Fixed interest Securities	325,857	11,901	(3)		(11,097)	326,659
Equities	160,770	73,416	(68,311)		(14,792)	151,084
Pooled investments	473,703	60,650	(30,374)		(8,245)	495,734
Pooled property investments	101,110				12,175	113,285
Private equity	44,309	7,498			(4,740)	47,067
London CIV		150				150
Cash deposits	24,990			(14,918)		10,072
Investment income due	427			251		678
Total	**1,131,166**	**153,615**	**(98,688)**	**(14,667)**	**(26,698)**	**1,144,728**

Note 14b: Analysis of Investments

	31 March 2017 £'000	31 March 2016 £'000
Fixed interest securities		
UK		
Corporate quoted	356,898	326,659
Equities		
UK		
Quoted	135,511	120,299
Cash investment	7,680	3,260
Overseas		
Quoted	17,144	27,525
Pooled funds - additional analysis		
Overseas		
Unit trusts	562,487	427,629
Hedge fund of funds	70,118	68,104
Pooled property investments	126,868	113,285
Private equity	57,595	47,067
London CIV	150	150
Cash deposits	5,103	10,072
Investment income due	525	678
Total investment assets	**1,340,079**	**1,144,728**

Note 14c: Investments Analysed by Fund Manager

	Market value 31 March 2017		Market value 31 March 2016	
	£000	%	£000	%
Adam Street	57,595	4.3	47,067	4.1
Aviva	80,532	6.0	0	-
Baillie Gifford	0	-	159,759	14.0
Invesco	125,357	9.3	111,460	9.7
Insight	356,898	26.6	326,659	28.5
London CIV	150	0.0	150	0.0
London CIV (BG Global Equity)	214,106	16.0	0	-
Majedie	160,860	12.0	151,762	13.3
MFS	214,015	16.0	163,741	14.3
PAAMCO	70,118	5.2	68,104	5.9
RREEF	1,511	0.1	1,826	0.2
Standard Life	53,834	4.0	104,128	9.1
State Street	5,104	0.4	10,072	0.9
Total	**1,340,079**	**100**	**1,144,728**	**100.0**

Note 15: Fair Value – Basis of Valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided32
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments – overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Pooled investments – hedge funds	Level 3	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to the expected cash flows, by any difference between audited and unaudited accounts.

Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012)	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2017.

	Valuation range (+/-)	Value at 31 Mar-17	Value on increase £000	Value on decrease £000
Pooled investments – hedge funds	10%	70,118	77,129	63,106
Private equity	15%	57,595	66,234	48,956
Total		127,713	143,363	112,062

NOTE 15a: Fair Value Hierarchy

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

Level 1

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

Level 2

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

Level 3

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

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

Values at 31 March 2017	Quoted Market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	1,094,897	126,868	127,713	1,349,478
Financial Liabilities at Fair value through profit and loss	(2,723)			(2,723)
Net investment assets	**1,092,174**	**126,868**	**127,713**	**1,346,755**

Values at 31 March 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial Assets at fair value through profit and loss	929,883	113,286	115,171	1,158,340
Financial Liabilities at Fair value through profit and loss	(16,423)			(16,423)
Net investment assets	**913,460**	**113,286**	**115,171**	**1,141,917**

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

Period 2016/17	Market value 01 Apr 2016	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market Value 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Overseas unit trust	111,463					13,894		125,357
Hedge fund of Funds	68,104					2,014		70,118
Private equity	47,067			6,883		3,645		57,595
	226,634			**6,883**		**19,553**		**253,070**

Note 16: Financial Instruments

Note 16a: Classification of Financial Instruments

	2016/17			2015/16		
	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial Assets	356,898			326,659		
Fixed interest secures	160,335			151,084		
Equities	633,605			495,733		
Pooled investments	126,868			113,285		
Pooled property investments	57,595			47,067		
Private equity	150			150		
London CIV	5,103			10,072		
Cash instruments	525			678		
Investment income due		9,399			13,612	
Debtors						
Financial Liabilities						
Creditors			(2,723)			(16,423)
Total	**1,340,079**	**9,399**	**(2,723)**	**1,144,728**	**13,612**	**(16,423)**

Note 16b: Net Gains and Losses on Financial Instruments

	31-Mar-17 £000	31-Mar-16 £'000
Financial Assets		
Fair Value through profit and loss	1,340,079	1,144,728
Loans and receivables	9,399	13,612
Financial Liabilities		
Fair Value through profit and loss		
Loans and receivables	(2,723)	(16,423)
Total	**1,346,755**	**1,141,917**

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

Risk and Risk Management

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

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

a) Market risk

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

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

The fund manages these risks in two ways:

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

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

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The fund is exposed to share and derivative price risk. This arises from investments held by the fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's investment advisors, the council has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset type	Potential market movement %
Corporate Bonds	3.30%
Bonds- LDI	17.60%
UK equities	17.00%
Global Equities	18.70%
Pooled property investments	14.50%
Other pooled investments	8.00%
Private Equity	**24.30%**

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

Asset type	Value as at 31 Mar 17 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
UK Equities	160,335	27,257	187,592	133,078
Global Equities	428,122	80,059	508,180	348,062
Diversified Growth	134,366	10,749	145,115	123,617
Hedge Funds	70,118	5,329	75,447	64,789
Private Equity	57,595	13,996	71,591	43,599
Corporate Bonds	303,602	10,019	313,621	293,583
Bonds- LDI	53,295	9,380	62,675	43,915
Cash	5,103		5,103	5,103
Property	126,868	18,396	145,264	108,472
London CIV	150		150	150
Investment income due	525	89	614	436
Total	**1,340,079**	**175,274**	**1,515,352**	**1,164,804**

Asset type	Value as at 31 Mar 16 £000	Potential market movement £000	Value on increase £000	Value on decrease £000
UK Equities	151,084	15,985	167,069	135,099
Global Equities	323,501	31,283	354,784	292,218
Diversified Growth	104,128	5,029	109,157	99,099
Hedge Funds	68,104	3,119	71,223	64,985
Private Equity	47,067	2,151	49,218	44,916
Corporate Bonds	326,659	19,404	346,063	307,255
Cash	10,072	1	10,073	10,071
Property	113,285	2,708	115,993	110,577
London CIV	150	0	150	150
Investment income due	678	0	678	678
Total	**1,144,728**	**79,680**	**1,224,408**	**1,065,048**

Interest rate risk

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

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

The fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Interest rate risk sensitivity analysis

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

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

Asset exposed to interest rate risk	Value as at 31 March 2017	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	13,588		13,588	13,588
Cash balances	844		844	844
Fixed interest securities	356,898	3,569	360,467	353,329
Total	**371,330**	**3,569**	**374,899**	**367,761**

Asset exposed to interest rate risk	Value as at 31 March 2016	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	13,333		13,333	13,333
Cash balances	384		384	384
Fixed interest securities	326,659	3,267	329,926	323,392
Total	**340,376**	**3,267**	**343,643**	**337,109**

Income exposed to interest rate risk	Amount Receivable as at 31 March 2017	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	20		20	20
Fixed interest securities	11,352	114	11,466	11,238
Total	**11,372**	**114**	**11,486**	**11,258**

Income exposed to interest rate risk	Amount Receivable as at 31 March 2016	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	132		132	132
Fixed interest securities	11,901	119	12,020	11,782
Total	**12,033**	**119**	**12,152**	**11,914**

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

Currency risk

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

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

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the fund investment advisors, the council considers the likely volatility associated with foreign exchange rate movements to be 13% (as measured by one standard deviation).

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

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

Assets exposed to currency risk	Value as at 31 Mar 17	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	57,595	5,759	63,354	51,836
Overseas unit trusts	125,357	12,536	137,893	112,821
Total	**182,952**	**18,295**	**201,247**	**164,657**

Assets exposed to currency risk	Value as at 31 Mar 16	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	47,067	3,663	50,730	43,404
Overseas unit trusts	111,460	7,548	119,008	103,912
Total	**158,527**	**11,211**	**169,738**	**147,316**

b) Credit risk

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

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The fund's cash holding under its treasury management arrangements at 31 March 2017 was £21.3m (31 March 2016: £20.4m). This was held with the following institutions.

	Rating	31 March 17	31 March 16
		£000	£000
Money Market Funds			
State Street- Liquidity Fund	AAA	5,103	10,072
Majedie Asset Management		7,680	3,261
Bank deposits and current account			
Royal Bank of Scotland	BBB+	8,484	7,107
Total		**21,267**	**20,440**

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. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and cash to meet investment commitments. The council has immediate access to its pension fund cash holding.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert in to cash. As at 31 March 2017 the value of liquid assets was £1,094.7m, which represented 89.6% of the total fund assets (31 March 2016: £1,105.3m, which represented 88.0% of the total fund assets).

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

All financial liabilities at 31 March 2017 are due within one year.

Refinancing risk

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

Note 18: Funding Arrangements

In line with The Local Government Pension Scheme Regulations 2013, the fund's actuary undertakes a funding valuation every three years for setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. The next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

To ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment.

To ensure that employer contribution rates are as stable as possible.

To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return.

To reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so.

To use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer defaulting on its pension obligations.

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

At the 2016 actuarial valuation, the fund was assessed as 80% funded (72.6% at the March 2013 valuation). This corresponded to a deficit of £286m (2013 valuation: £359m) at that time.

Contribution increases were phased in over the three-year from April 2017 to 31 March 2020 for both scheme employers and admitted bodies. The common contribution rate (i.e. the rate that all employers in the fund pay) is 18.5% until the next triennial valuation in 2019.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 actuarial valuation report and the funding strategy statement on the fund's website.

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

Demographic assumptions

The post-retirement mortality tables are the S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% pa. Assumed life expectancy from age 65 is as follows.

	31 March 2017	31 March 2016
Retiring today		
Males	21.6	21.7
Females	23.9	24
Retiring in 20 years		
Males	23.8	24.3
Females	26.0	26.6

Commutation assumption

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

Note 19: Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the fund's actuary also undertakes a valuation of the pension fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year. This valuation is not carried out on the same basis as that used for setting fund contribution rates and the fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

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

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2017 was £1,940m (31 March 2016: £1,645m). The net assets available to pay benefits as at 31 March 2017 was £1,974m (31 March 2016: £1,165m). The implied fund deficit as at 31 March 2017 was therefore £654m (31 March 2016: £480m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used	2016/17 %	2015/16 %
Inflation/pension increase rate	2.4	2.2
Salary increase rate	2.8	4.2
Discount rate	2.6	3.5

Note 20: Current Assets

	31 March 2017	31 March 2016
Sundry debtors	69	6,122
Cash balances	9,329	7,490
Total	**9,398**	**13,612**

Note 21: Current Liabilities

	31 March 2017	31 March 2016
Outstanding settlement	0	6,110
Sundry creditors	2,273	10,313
Total	**2,273**	**16,423**

Note 22: Additional Voluntary Contributions

	31 March 2017	31 March 2016
Prudential	1,741	1,320
Equitable Life	488	217
Clerical Medical	139	112
Total	**2,368**	**1,649**

Note 23: Related Party Transactions

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

During the reporting period, the Council incurred costs of £1.2m (2015/16: £0.9m) in relation to the administration of the fund and these costs were reimbursed by the Fund. The council is also the single largest employer of members of the pension fund and contributed £43.6m to the fund in 2016/17 (2015/16: £43.4m). The amount payable to the council as at 31 March 2017 shown as current liability.

Governance

There are no elected members of the Pension Committee in receipt of pension benefits from the Lambeth Pension Fund but two pensioner representatives are in receipt of pension benefits from the Lambeth Pension Fund. In addition, pension committee staff representatives K White and trade union representative J Rogers are active members of the pension fund.

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

Note 24: Contingent Liabilities and Contractual Commitments

The total commitments as at 31 March 2017 are £106.2m and the outstanding capital commitments (investments) are £25.9m (31 March 2016: total commitment £106.2m and outstanding was £24.0m).

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

Note 25: Contingent Assets

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

A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

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

Accruals
The accruals concept means that transactions within the Comprehensive Income & Expenditure Statement are recognised as they are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2017 is expected to arrive in April 2018, it will be accounted for in the 2016/17 accounts (the financial year it relates to), not the 2017/18 accounts (the financial year it arrives in.)

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

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

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

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

Comprehensive Income and Expenditure Statement
A statement that reports the net cost for the year of all the functions for which the authority is responsible, and demonstrates how that cost has been financed from general government grants and income from taxpayers. The most obvious difference from the Income and Expenditure Statement (which, under IFRS, it replaces) is that it now includes the Statement of Total Recognised Gains and Losses (STRGL).

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

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

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

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

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

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

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

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

Matching
The matching concept says that expenditure and income transactions, including accruals, are matched with one another so far as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

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

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

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

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

Revenue Expenditure Funded From Capital Under Statute (REFFCUS)
Expenditure incurred during the year that may be capitalised under statutory provisions, but does not result in the creation or enhancement of Council Owned assets.

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

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

Statement of Movement on the HRA Balance
Similar to the General Fund's **Movement In Reserves statement**, this reconciles the HRA Income and Expenditure account for the year with the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

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

Substance over form
The concept of substance over form requires that transactions and other events are accounted for and represented in financial statements with regard to their economic substance and financial reality rather than just their legal form.