Lambeth

2017/2018

Audited

Statement of Accounts

CONTENTS

The Council's Statement of Accounts for the year 2017/18 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the United Kingdom issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) for 2017/18. 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

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 income from retained business rates, council tax and the opportunities and risks that brings to local government finance. This will remove the safety net of government funding that would normally be able to mitigate any downturn in the economy.

Between 2010 and 2020 the Council will have made over £250m of savings and the Council's Budget report published on 5 February 2018 identified the need for a further £40.7m 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. The budget position will be updated in the Council's July Finance report to Cabinet.

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 savings requirements pose 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 Management Board and its Sub-Groups will continue to ensure that there is corporate oversight of the delivery of savings proposals and a balanced budget during 2018/19.

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.

Despite the difficult budget challenge the financial position of the council remains sound. The General Fund outturn for 2017/18 was a slight underspend, supported by 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 £218.4m 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%. The Government's intention to extend the retention scheme to increase the incentive for local Council's to encourage development in their area in order to increase the income from the retention of the growth in their business rates base. 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.

With effect from 1 April 2018 the Business Rates London Pilot Pool will commence, as approved by Cabinet on 11 December 2017 and this is factored within the current MTFS. The proportion split of the Business Rates Retained element has been confirmed on the 2018/19 NNDR1 as 64% for Lambeth and 36% for the GLA. The pooling of rates in London means that Central Government do not receive the business rates collected in London, as this is shared across the pool.

Welfare Reform

Responsibility for Housing Benefit Payments transfers to the DWP under Universal Credit. Universal Credit was first introduced in Lambeth from February 2016 and has recently expanded to cover all new claims from working age residents for what previously would have been Housing Benefit. The number of Universal Credit claimants in Lambeth has been steadily increasing and Housing Benefit claimant numbers reducing.

Currently we are able to manage the recovery of over payments by the reduction of current claimants' Housing Benefit payments. This flexibility is removed when the claimants transfer onto Universal Credit. Migration to Universal Credit for claimants of existing benefits is expected to take place from 2018/19.The ultimate risk is the Council will be left with the historic Housing Benefit debt when the service transfers to the DWP. We are having on-going discussions with the DWP through various forums to understand what the DWP future plans are around this historic debt, as to whether the Council will be expected to hold all of the debt and if that is the case how DWP will help us to recover it, given our only means of doing so is normally seeking to reclaim it via current benefit payments.

The Council holds £36m 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. The debt position has been impacted by Real-Time Data Matching (RTDM) exercises conducted by the Department for Work and Pensions (DWP), which uses more up to date information on Housing Benefit claimants applied to previous year's Housing Benefit Subsidy claims that have already been audited and closed. 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 the risk attached.

Adults Social Care

Adults Social Care has been managing a number of significant financial risks which have arisen from a population that have increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of services. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care with the provision of increased funding in the 2017 spring budget announcement. Although welcome, the extra funding does not provide a financially sustainable care system. The Government has promiseda Green Paper will be published before summer 2018 on how the government proposes to improve care and support for older people and tackle the challenge of an ageing population.

Any wide ranging change to the care system is likely to bring a number of potential risks. The first main issue is that support for older people is only a proportion of Adult Social Care activity for which there are increasing pressures across the board and it is less clear of how issues relating to services for working age adults will be addressed. It has also become clear that the proposed £72,000 limit on care costs for individuals will not be introduced and that the Green Paper will now include proposals on what a limit on care costs for individuals should look like. Changes to social care charging of the significance suggested are likely to be complex and result in large costs nationally that require the use of mechanisms to increase funding locally that can result in cost pressures for individual local authorities. The risk for Lambeth is lower than for most authorities due to the low number of self-funding social care service users in the borough. Finally, as social care is a significant part of the Council's budget, proposals on how any new funding system will be sustainable and responsive to increases in costs will be critical for the financial sustainability of the Council as a whole.

Public Health

Lambeth, along with other upper tier authorities receives an annual ring fenced Public Health Grant to fulfil its duty to improve the health of people in the area and specifically to deliver its public health duties. The ring-fenced Public Health Grant is based on historic funding in the NHS which transferred to Councils. Following the 2015 election, the Government announced in-year cuts of 6.2% to Public Health which totalled a reduction of £1.9m for Lambeth in 2015/16 and £0.7m in 2016/17. In the period 2017/18 to 2019/20 the grant is being reduced by £2.5m, approximately £0.8m per year. A range of saving proposals are being implemented to remain within the grant allocation.

Fair Funding Review

The Fair Funding Review is due to take effect from 2020/21, and as part of the Financial Settlement it was confirmed that 2020/21 will be the first year of 75% Business Rates Retention. This will likely mean that in that year RSG and the Public Health grant will get rolled into Business Rates Retention, and Council's will be able to retain 75% of growth in the base. The intention of this is to increase local control over local income without the need for primary legislation, whilst having more accurate funding forecasts due to the improvements in the way the funding is allocated.

In 2020/21 the Business Rates baseline will be reset as part of the Fair Funding Review, and this will result in winners and losers, however, until the Fair Funding Review is finalised we just don't know what this will mean to Lambeth. The Fair Funding Review is in the early stages of discussion and consultation, but there is commitment to ensure the following principles are upheld:

- Simplicity- ensure that the most important factors that drive spend are captured
- Transparency- everyone understands the allocation
- Contemporary- the formula is using the most up to date data
- Sustainability- will respond to both current and future demand
- Robustness- taking account of best possible objective analysis
- Stability- in line with the multi-year Settlements including transitional arrangements

New Homes Bonus (NHB)

A baseline of growth in the Housing baseline of 0.4% before any NHB funding is provided was introduced last year, but Lambeth's tax base continues to increase well above this baseline. NHB payments were reduced from 6 years to 4 years in 2018/19. Planned changes to NHB of the threshold increase and the adjustment for homes approved by the Planning Directorate have not yet been introduced, and no date as to when these may be implemented has been confirmed.

Dedicated Schools Grant (DSG)

The provisional allocation of DSG for 2018/19 is £284.4m, which is an increase of £6.6m (2.36%) over the previous year. The Government has introduced a number of changes to the funding system for 2018/19 which are highlighted below:

- A new National Funding Formula has been introduced for both schools and for High Needs;
- A new Central School Services Block (CSSB) has been created. The DSG therefore now comprises four blocks: Schools, High Needs, Early Years and the new central school services block;
- Within the schools block, the Government have provided for at least a 0.5% per pupil increase in 2018 to 2019 through the national funding formula;
- The high needs block has increased by 1.66%;
- The minimum funding guarantee (MFG) for schools will continue, in Lambeth this has been set at minus 1.5% per pupil.
- The schools block will be ring-fenced from 2018 to 2019, but local authorities will be able to transfer up to 0.5% of their schools block funding out with the agreement of their Schools Forum. Any transfer greater than this amount requires approval by the Secretary of State.

Although additional funding has been allocated in the Schools Block, there are significant cost pressures faced by schools, for example the requirement to fund teachers' pay rises as well as other cost increases and thus the funding increases are unlikely to be sufficient to meet these increased costs in real terms in most schools.

Education Services Grant (ESG)

The Educational Services Grant ceased in 2017/18, although transitional funding was allocated for the period from April to August 2017. This has led to a loss of funding of £1.5m in 2017/18 and a further 0.8m in 2018/19. This will requires the Council to review the way in which it delivers some of these services and to discuss the implications of the reductions with the Lambeth maintained schools and with the Lambeth Schools Forum.

Reserves

Reserves	Balance at 31/03/2016 £'000	Movement In Year £'000	Balance at 31/03/2017 £'000	Movement In Year £'000	Balance at 31/03/2018 £'000
General Fund Balance	(22,436)	(88)	(22,524)	(327)	(22,851)
GF Earmarked Reserves*	(49,056)	17,321	(32,082)	(8,644)	(40,726)
General Fund Total	**(71,492)**	**17,233**	**(54,606)**	**(8,971)**	**(63,577)**
HRA Balances	(10,746)	(1)	(10,747)	(3)	(10,750)
HRA Earmarked Reserves	(41,965)	(3,219)	(45,184)	794	(44,390)
HRA Total	**(52,711)**	**(3,219)**	**(55,931)**	**791**	**(55,140)**
Council Total	**(124,203)**	**14,014**	**(110,537)**	**(8,180)**	**(118,717)**

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

Overall, the Council has added to its earmarked reserves in 2017/18 demonstrating strong financial management as the Council has been able to set aside funds for known challenges ahead. 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. Reserves have increased slightly from £52.7m as at 31 March 2016 to £55.1m at 31 March 2018, in readiness for investment in better quality housing, and to deal with potential risks.

Capital Investment Programme (CIP) - Growth and Funding

The Council has undertaken a capital investment programme (CIP) for the 4 financial years of the current political administration 2014/15 – 2017/18. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes and is analysed to show how capital investment is spread across the Community Outcomes. It also shows where investment is supporting the entire organisation through enabling projects. This programme comprised projects formally incorporated into the CIP of £857.6m together with planned investments totalling £4.98m held in the capital pipeline.

The target for the next planning cycle is a CIP of £126.2m. This comprises the investment needed to maintain and enhance our existing estate together with continuing investment in developing our asset base through new build, acquisition or investment in existing assets. This programme can be expected to increase over the coming years once the Council has more certainty over availability of funding.

This investment is taking place in a time of considerable uncertainty due to both Brexit and lack of clarity around central governments legislative agenda and so the Council will need to continue to prioritise its investment and retain flexibility within the wider capital programme.

The Council continues to progress a huge range of significant regeneration projects in areas right across the borough including Waterloo, Vauxhall and Nine Elms, Tulse Hill, Brixton and West Norwood.

However, at the same time as capital is invested in the development of essential new infrastructure, investment continues in our existing assets. A number of key capital strategies are well underway including Culture 2020, the Parks Investment strategy and the Highways Improvement strategy which are bringing Council owned roads and facilities right across the borough up to the highest standard.

The Council has continued to see significant receipts from CIL and s106 development income. Together with external grant income, development income will continue 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 much reduced. However, as there is currently considerable uncertainty within the development industry the Council needs to be aware of the risk of development activity tailing off and both expected and future CIL income reducing. Where the Council does not have external income to fund the capital programme it has the option to borrow but would need to identify revenue funding towards this borrowing and be able to assure itself the borrowing is repayable.

The current forecast non-Right To Buy (RTB) disposal receipts for the 3 years 2017/18 to 2019/20 is £15.4m. As above, if the related development does not happen, this income could fall away.

A Capital Investment Programme ("CIP") for the 3 financial years 2017/18 – 2019/20 was set by the Council in February 2017 and updated in December 2017 reflecting the resources that were known to be available at the time. This includes £218.4m spent in 2017/18. This 3 year working CIP is rolled forward annually and the table below shows planned investment from 2018 to 2020:

Planned Capital Investment	**2018/19 £m**	**2019/20 £m**	**Total £m**	**Unfunded Pipeline Commitment £m**
Total CIP	72.9	53.3	**126.2**	23.8
of which:				
HRA	42.1	41.9	**84.0**	0

In December 2017 the Council agreed to set up a Redress Scheme that will offer compensation to those who suffered abuse in the Council's children homes. This has resulted in a forecast commitment of circa £100m, which the Ministry of Housing, Communities and Local Government (MHCLG) has given the approval to allow the Council to use capital as revenue.

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	(1,542)	1%
S106/CIL	(5,750)	5%
Borrowing	(19,737)	16%
Major Repairs Reserve	(62,022)	49%
S20 Receipts	(21,988)	17%
Capital Receipts	(10,084)	8%
Recycled RTB (1-4-1) Receipts	(2,454)	2%
Internal Borrowing	(1,574)	1%
Earmarked Reserve / Revenue	(1,000)	1%
Total	**(126,151)**	**100%**

Borrowing

The Council has not undertaken any new long-term borrowing from external sources since 2006/7, and the sum stands at £408.1m.

It should also be noted that the Council holds long-term creditors of £101.4m 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 £1.421bn to £1.449bn, 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 decreased from £631m to £609m 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

2017/18 Revenue Outturn – General Fund

The 2017/18 General Fund budget was £274.5m. The overall outturn position was a £327k underspend.

The outturn by department is as below:

Directorate	Full Year Outturn £000k			Full Year %
	Budget	Actual	Variance	Variance
Adults & Public Health	90,469	90,469	0	0%
Children's Services	67,905	73,468	5,563	8%
Neighbourhoods & Growth	42,917	39,724	(3,193)	(7%)
Corporate Resources	65,520	63,308	(2,212)	(3%)
NRPF	3,547	3,069	(478)	(13%)
Corporate Items	4,103	4,096	(7)	0%
TOTAL - GF	**274,461**	**274,134**	**(327)**	**0%**

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

- Adults Social Care had an underlying pressure of £4,131k in year, however due to the receipt of additional grant funding the service has out-turned on budget for the year. The pressure was mainly due to delays in achieving savings totalling around £962k, an increase in costs of home care and long standing budget shortfalls relating to placements in physical disabilities and mental health.

- Children's Social Care & Early Help - **£3,078k** of which £1,911k related to staffing overspends. Reducing the level of agency staff achieved some cost reduction from previous month's forecasts..

- Education & Learning - **£2,850k** which mostly related to Special Education Needs (SEN) transport.

- Neighbourhoods & Growth - **(£3,193k)** of which £1,336k was a surplus in Parking services and £1,949k underspend on accommodation services, including temporary accommodation. There were also underspends on waste disposal costs. These was a £514k overspend on Events and £631k overspend on Street Management.

- Corporate Resources – (**£530k)** including savings in the Capita contract within Revenues services, staffing vacancies within Business Support and Finance. These were offset by a shortfall in income on Land Charges due to VAT being added to these from 1 April 2017, a shortfall in commercial rent income and increased bank charges.

- Matrix Rebate - **(£1,681k)** relates to an improvement in the matrix rebate for agency staff due to delays to the new contract becoming fully operational. It is received centrally within Corporate Resources, the rebate offsets agency costs across the Council

- Corporate Items reflects an underspend of (£7k) as this area has been used to balance the Council's budget position moving funds to earmarked reserves to meet known expenditure pressures in future years. Corporate items include pressures identified during the year that are not to be met by any specific service. These include pressures such as the delay in Organisational Redesign Savings, the reduction in ESG Grant and PRAM savings not achieved. These pressures are mitigated during the year by any unused corporate contingency, efficiencies taken corporately and any additional grant income above the amount anticipated which does not relate to a specific service.

2017/18 Revenue Outturn – Housing Revenue Account

The Housing Revenue Account achieved a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £10.7m together with total earmarked reserves of £42.4m – 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.

2017/18 Capital Outturn

The Authority spent £218.4m in 2017/18. Unspent funds have been rolled forward to fund revised expenditure projections for future years.

The details of Capital Expenditure in 2017/18 by Community Outcome are shown in the table over the page:

2017/18 Financing the Capital Investment Programme

- £21.8m of grant monies (£25.1m in 2016/17)

- £49.9m (£46.3m in 2016/17) of internal reserves and revenue contributions (including via the Major Repairs Reserve),

- £34.4m of proceeds from the disposal of Council assets (£40.4m in 2016/17).

- £99m from internal borrowing against cash balances (£103.7m in 2016/17).

- £5.5m from developers' contributions (£6.2m in 2016/17)

- £7.8m from Section 20 receipts (nil in 2016/17)

Strategic Priority	10 Year Outcome	CIP Outturn 2017/18 £000
Creating Inclusive Growth	**Increase Investment and regeneration in Lambeth**	**5,482**
	Lambeth Town Centres' Regeneration	5,482
	Improve transport infrastructure	**208**
	Strategic Transport Infrastructure	208
	A larger business base that makes a greater contribution to London's economy	**231**
	Investment in Community Workspace	231
Reducing Inequality	**Greater equality in education, training & employment**	**17,210**
	Expansion and Enhancement of Primary Schools	4,179
	Expansion and Enhancement of Secondary Schools	6,264
	Investment in Education Projects	5,763
	Expansion and Enhancement of Special Educational Needs Facilities	1,004
	Vulnerable adults are supported to maintain their independence, stay healthy and active	**4,355**
	Home Improvements for Vulnerable Residents	1,461
	Home Improvements for Vulnerable Residents (HRA)	2,283
	Improvement of Social Care Provision	611
	Improved health and wellbeing for all	**45**
	Community Health Projects	45
Building Strong & Sustainable Neighbourhoods	**People take pride in the streets of Lambeth**	**7,944**
	Enhancement of Streetscapes and Public Spaces	3,562
	Investment in Waste and Recycling	1,004
	Resurfacing of Footways and Carriageways	3,377
	Lambeth is a safer place	**17**
	Community Safety Projects	17
	All Lambeth Communities enjoy good quality of life, feel valued & can contribute to their neighbourhood	**7,619**
	Creation and Enhancement of Community-run Buildings	85
	Enhancement of Crematoria & Cemeteries	999
	Investment in Culture and Heritage	377
	Investment in Leisure Centres	949
	Investment in Libraries and Community Hubs	3,814
	Investment in Parks and Open Spaces	1,395
	People live more sustainably	**2,639**
	Creation of Cycling Infrastructure	640
	Enhancement Of Street Lighting	1,998
	The quality of Lambeth's housing is improved including newly built homes of all tenures	**112,618**
	Investment in Lambeth Housing Standard Boroughwide (HRA)	64,868
	Housing Development Projects	35,087
	Housing Development Projects (HRA)	8,980
	Investment in Empty Properties	0
	Investment in Empty Properties (HRA)	3,679
	Housing Communal Facilities (HRA)	4
Enabling	**Enabling**	**60,040**
	Investment in Corporate Office Accommodation	55,168
	Improvement of Council IT Infrastructure	4,872
	Grand Total	**218,409**

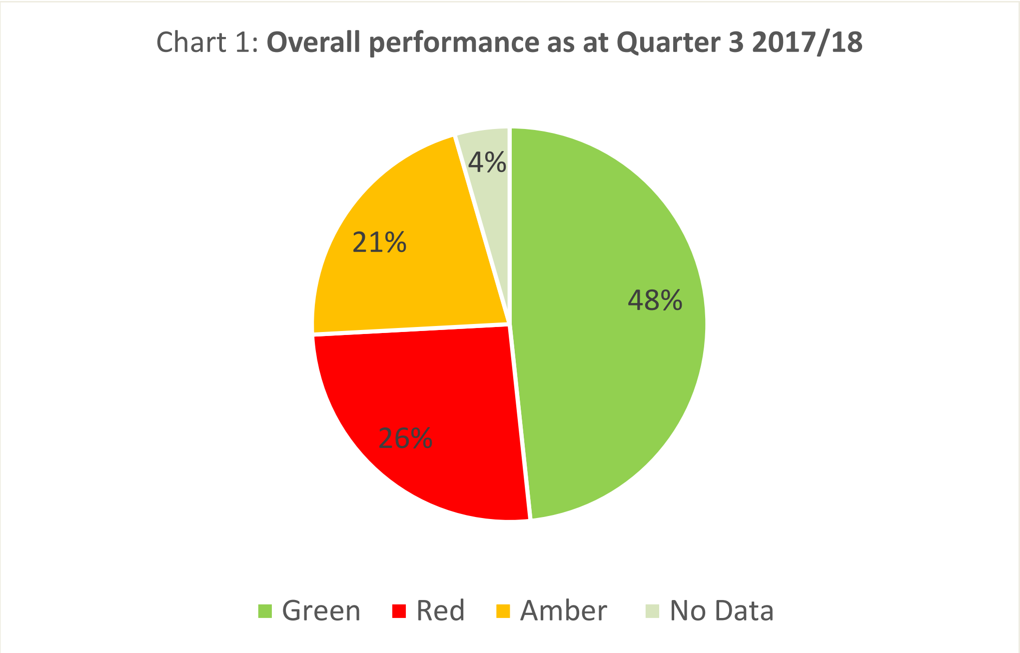
The Council's Performance

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 Management Board.

The information below shows the council's performance for the 2017/18 financial year as at the end of Quarter 3 (December 2017).

Overall performance across indicators that the council influences

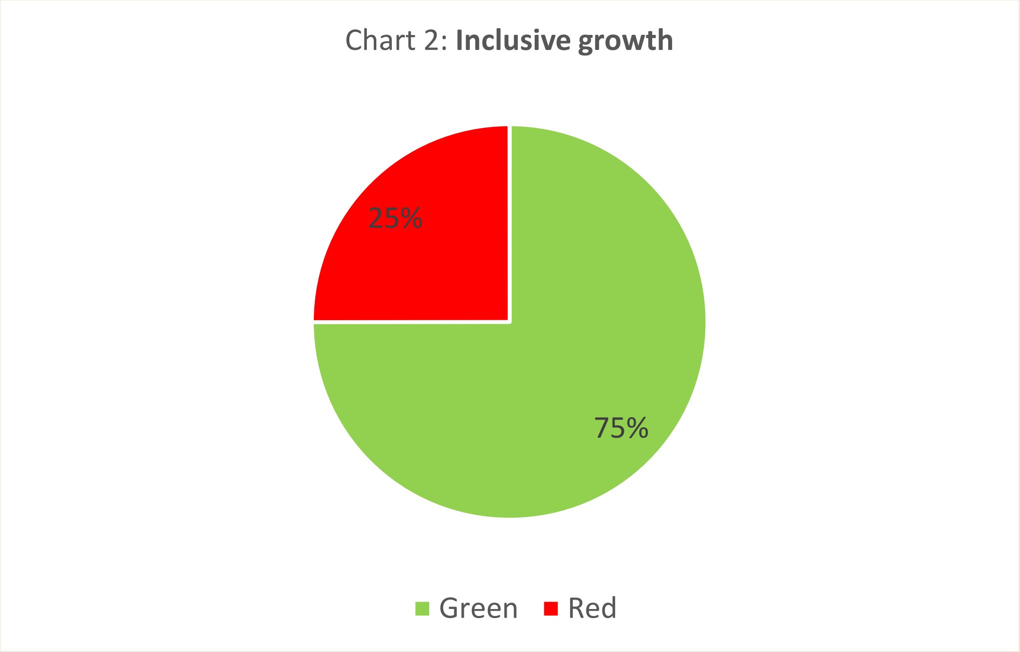
Overall, 100 indicators were reported on in Quarter 3. Of these, 43 indicators were rated Green (48%), 19 were rated Amber (21%) and 23 were rated Red (26%). There was no data available for 4 indicators (4%). 11 indicators were reported on for monitoring purposes but do not have targets; and therefore cannot be RAG rated. These have not been included in the chart data.



1) Inclusive growth

This priority is about building on the strong foundations of economic growth in Lambeth so that it benefits people 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, three indicators were rated Green (75%) and one was rated Red (25%). There were no indicators rated Amber.



Lambeth has shown excellent performance against the turnaround of major applications determined within timescales. The effective use of Planning Performance Agreements has aided in delivering this high level of performance.

Change in employment floor space has shown a smaller net loss of employment floor space than past two years but the indicator continues to meet the target.

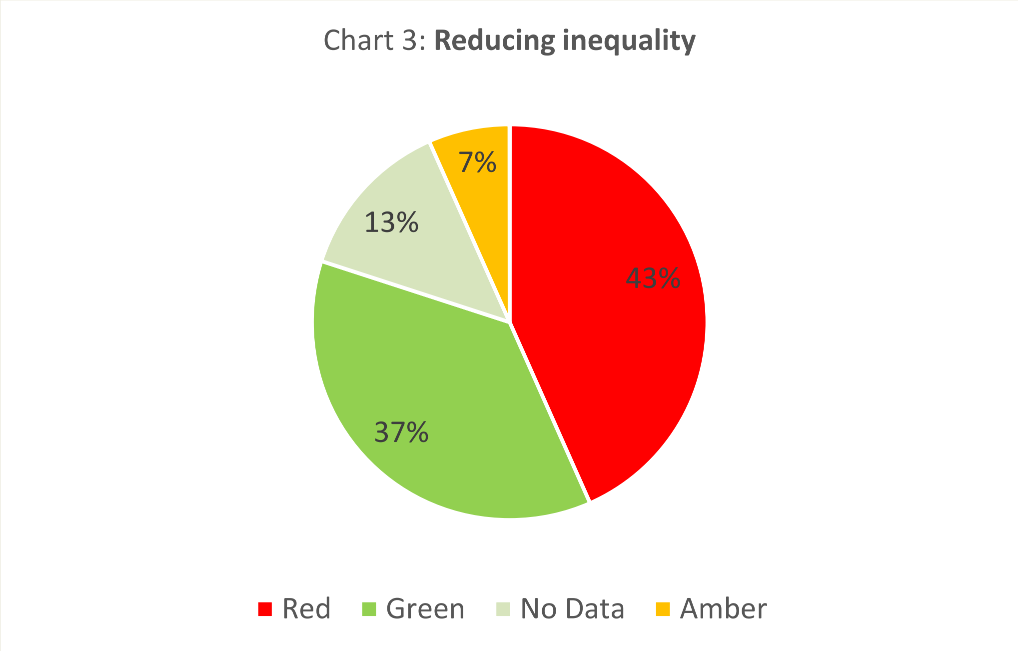
Amount of banked S106 has exceeded the target by over £5m.

The amount of banked Community infrastructure Levy (CiL) is currently falling below the target set for 2017/18. The target for 2017/18 is to collect £6.5m in CIL receipts. In the first nine months, £1.1m in CIL receipts has been collected and forecasting an additional £3m to be collected in the next 6-8 months. CiL income depends on large-scale developments coming forward combined with the efficiency of the CIL collection team.

2) 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, 11 indicators were rated Green (37%), 2 rated Amber (7%) and 13 rated Red (43%). There was no data available for 4 indicators (13%). Five indicators were reported on for monitoring only and have not been included in the chart data.



Performance has been mixed with the majority of indicators requiring some improvement.

Adults and health are continuing to provide greater independence for people using social care who receive direct payments and self-directed support and for adults with learning disabilities to live in their own home or with their families.

We have reduced the number of children whose child protection plans had been open for two years or more. We are also doing well at ensuring looked after children's visits are completed within timescale and that these children have fewer placements. The percentage of permanent exclusions from schools is also within target.

There are a number of areas in Children's Social Care which require improving including the timeliness of: child and family assessments, child protection visits, core group meetings and initial health assessments. We could also do better at ensuring more children who are looked after continuously for 12 months have their annual health assessment.

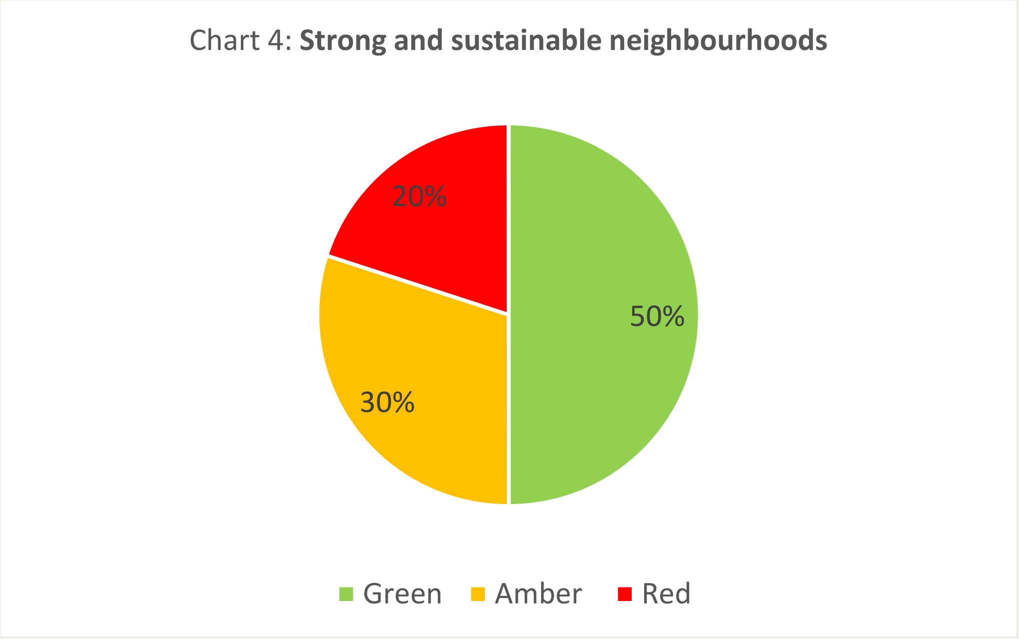
Corporate Resources are currently underperforming with regard to the number of apprentices Lambeth provides but a new draft strategy has been developed which aims to deliver 180 apprenticeship starts over April 2017- April 2020.

The number of unemployed residents supported into work via Welfare Employment and Skills supported / funded schemes is improving but is far lower than anticipated.

3) Strong and sustainable neighbourhoods

This priority is about being 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, 10 service indicators were rated Green (50%), 6 rated Amber (30%) and 4 rated Red (20%). Three indicators were reported on for monitoring only and have not been included in the chart data.



We currently have very high satisfaction with grounds maintenance and estate cleaning. Following increased levels of engagement we are also performing very well regarding waste sent for reuse, recycling or composting on estates.

The amount of household waste and residual household waste is also within target. Street cleanliness levels are within target and continue to improve. However we still have work to do to reduce levels of graffiti.

Tenants and leaseholders are reporting greater satisfaction with overall service provided and the quality of repairs which means we are on our way to meeting our year-end target.

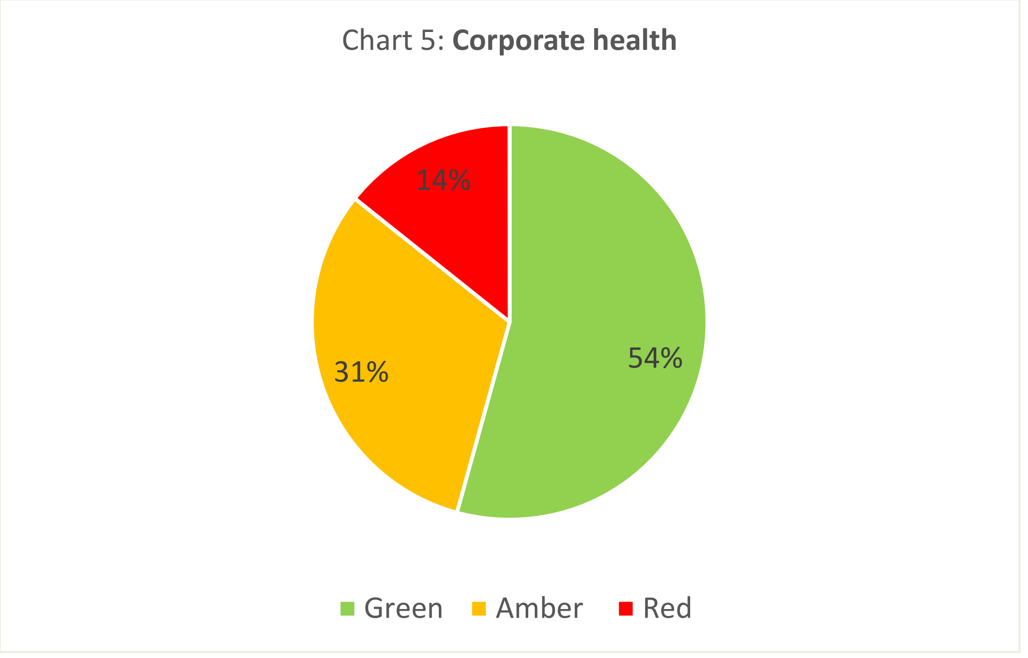
We are also on schedule to meeting our year-end target for the number of Lambeth Council homes brought up to LHS standard in-year.

Lambeth continues to provide high quality support service to some of our most vulnerable residents who are experiencing Violence against Women and Girls via our Gaia Centre. This has supported victims and helped reduce levels of risk. Lambeth is doing well and continues to reduce the number of repeat incidents of domestic violence relating to victims who are subject to Lambeth a MARAC.

4) Corporate health

Our corporate health indicators tell us how well we are performing as an organisation across a number of support services.

For corporate health, 19 service indicators were rated Green (54%), 11 rated Amber (31%) and 5 rated Red (14%). Three indicators were reported on for monitoring only and have not been included in the chart data.



On the whole, Finance is performing well with the majority of their indicators achieving target with a small number relating to council tax and debt collection working toward their year-end goals.

Lambeth IT have performed very well in Q3 with further improvements resulting in fewer abandoned service desk calls, high levels of system availability and more systems with the latest Microsoft critical security updates.

Human resources have had a mixed result this quarter. Workforce diversity is good with the percentage of LBGT and ethnic minority staff about target. However, more work needs to be done to ensure the top paid 5% of staff is more diverse, including higher percentages of women, ethnic minorities and those with disabilities. The percentage of agency workers is improving, but more work needs to be done to ensure the target is reached.

The number of complaints and ME’s completed on time remains highly performing but some work required to ensure FoI’s and SAR’s are also meeting their targets.

Call centre call volumes continue to fall in response to greater self-service capability and the satisfaction of users continues to exceed the target. We could do better to improve satisfaction and reduce the waiting time of customers at the Customer Centre.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has the responsibility for the administration of those affairs;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

The Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the CFO has:

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

Certification of the Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the London Borough of Lambeth, including its income and expenditure, and of the London Borough of Lambeth Pension Fund for the year ended 31 March 2018.

[redacted]

Christina Thompson
Chief Financial Officer
London Borough of Lambeth
5 November 2018

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
5 November 2018

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of London Borough of Lambeth ('the Authority') for the year ended 31 March 2018 which comprise the Expenditure and Funding Analysis**,** Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund, the Fund Account and Net Assets Statement for the London Borough of Lambeth Pension Fund and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of the Authority's expenditure and income for the year then ended;
- give a true and fair view of the financial transactions of the London Borough of Lambeth Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Authority in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter

We draw attention to note 2a to the financial statements which sets out that the Authority has established a provision during the year of £100m for a redress scheme to compensate survivors of historic abuse in Lambeth Children's Homes. As stated within the note there is significant uncertainty over the total value of payments that will be made from the scheme during its two year life as it is not possible to determine the exact number of claims that will be made or the value of the claims that will be agreed. The Authority has commissioned an independent valuation and a peer review by the Government Actuarial Department, which determined that the potential range for payments to be made from the scheme was between £30m and £250m. The Council has not made a provision for more complex claims that may arise as a result of the scheme as there is not considered to be sufficiently reliable information available to enable an accurate valuation to be reached. Our opinion is not modified in respect of this matter.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Report and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 18, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraph below, we are satisfied that, in all significant respects, the London Borough of Lambeth put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for qualified conclusion

We have reviewed the outcomes of follow up work undertaken with Children's Services during the year following services being rated as inadequate by Ofsted during their previous inspection. We noted that progress had continued to be made by the services during the year to rectify the issues identified in previous inspections, however the services remained rated as inadequate by Ofsted as at 31 March 2018. An inspection of Children's Services was undertaken by Ofsted in January 2018, which led to adoption services remaining rated as inadequate. Although the overall rating of services was improved to requires improvement we were unable to verify that there were appropriate arrangements in place to achieve effective outcomes throughout the full year.

We also reviewed the details of work undertaken by internal audit during the year and the Annual Governing Statement. We note that the opinion given by the Head of Internal Audit remains unchanged from 2016-17 at 'Generally satisfactory with some improvements required', as there are still required improvements to the design and implementation of key financial controls in areas such as contract management we were unable to confirm that appropriate arrangements were in place to ensure resources were efficiently deployed.

Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

We are required under Section 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. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, 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 Comptroller and Auditor General 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 2018.

Statutory reporting matters

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

- 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;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

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

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by a local authority elector relating to 2017/18. 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, Canary Wharf, London, E14 5GL

6 November 2018

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 2018				Year Ended 31 March 2017			
	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	90,469	0	1,313	91,782	95,105	0	857	95,962
Children's Services	75,772	0	10,898	86,670	96,043	0	12,527	108,570
Corporate Items	9,459	0	62,196	71,655	24,421	(6,495)	(12,392)	5,534
Corporate Resources	63,994	0	98,873	162,867	58,310	0	(494)	57,816
Neighbourhoods & Growth	33,853	0	22,490	56,343	41,527	0	14,925	56,452
Net Cost of Services excl HRA	**273,547**	**0**	**195,770**	**469,317**	**315,406**	**(6,495)**	**15,423**	**324,334**
Housing Revenue Account	(71,060)	0	36,345	(34,715)	8,725	(79,971)	44,855	(26,391)
Net Cost of Services incl HRA	**202,487**	**0**	**232,115**	**434,602**	**324,131**	**(86,466)**	**60,278**	**297,943**
Other Income and Expenditure	(199,904)	0	(50,120)	(250,024)	(308,268)	86,466	(40,265)	(262,067)
(Surplus) or Deficit	**2,583**	**0**	**181,995**	**184,578**	**15,863**	**0**	**20,013**	**35,876**
Opening General Fund and HRA Balance 1 April	(144,659)				(160,522)			
Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	2,583				15,863			
Closing General Fund and HRA Balance at 31 March*	**(142,076)**				**(144,659)**			

* 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 2018			Year Ended 31 March 2017		
		Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
Adults & Public Health		165,522	(73,740)	**91,782**	168,949	(72,987)	**95,962**
Children's Services		354,287	(267,618)	**86,669**	384,634	(276,064)	**108,570**
Corporate Items		74,828	(3,172)	**71,656**	5,563	(29)	**5,534**
Corporate Resources		424,197	(261,330)	**162,867**	339,142	(281,326)	**57,816**
Housing Revenue Account		151,050	(185,765)	**(34,715)**	163,299	(189,690)	**(26,391)**
Neighbourhoods & Growth		140,517	(84,174)	**56,343**	141,753	(85,301)	**56,452**
COST OF SERVICES		**1,310,401**	**(875,799)**	**434,602**	**1,203,340**	**(905,397)**	**297,943**
Levies				4,278			4,265
Payments to the Government Housing Capital Receipts Pool				2,554			3,373
(Gains)/losses on the Disposal of Non-Current Assets				37,240			5,506
Other expenditure				95			82
Other Operating (Income)/Expenditure				**44,167**			**13,226**
Interest Payable and Similar Charges - other				31,637			32,777
Net interest on the net pensions liability				17,009			20,419
Investment Interest income				(916)			(1,429)
Financing and Investment Income and Expenditure				**47,730**			**51,767**
Taxation and Non-Specific Grant Income	11c			(341,921)			(327,060)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES				**184,578**			**35,876**
Loss / (Gain) on revaluation of non-current assets	30			(97,608)			(27,837)
Re-measurement of the Net Defined Benefit Liability	30			(38,241)			30,797
Other Comprehensive (Income) and Expenditure				**(135,849)**			**2,960**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE				**48,729**			**38,836**

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 2016/17 and 2017/18) with one column for all of the unusable reserves.

2017/18	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 2017 brought forward	**(88,728)**	**(55,931)**	**(68,918)**	**(75)**	**(58,919)**	**(272,570)**	**(2,348,536)**	**(2,621,106)**
Total Comprehensive Income and Expenditure (CIES Page 18)	210,834	(26,256)	0	0	0	184,578	(135,849)	48,729
Adjustments between accounting basis & funding basis under regulations (Note 28)	(209,042)	27,047	4,340	326	(15,998)	(193,327)	193,327	0
(Increase)/Decrease in 2017/18	**1,792**	**791**	**4,340**	**326**	**(15,998)**	**(8,749)**	**57,478**	**48,729**
Balance at 31 March 2018 carried forward	**(86,936)**	**(55,140)**	**(64,578)**	**251**	**(74,917)**	**(281,319)**	**(2,291,058)**	**(2,572,377)**

GF and HRA Balance analysed over		
Earmarked reserves (Note 29)	(48,935)	(44,390)
LMS (Schools) Balance	(15,150)	0
Balances not earmarked	(22,851)	(10,750)
Balance at 31 March 2018	**(86,936)**	**(55,140)**

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 Pages 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)**						

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 2018 £'000	31 March 2017 £'000
Property, Plant & Equipment	14a	3,802,797	3,703,254
Heritage Assets	14f	1,283	1,141
Intangible Assets	14b	4,402	6,087
Long-Term Debtors	15a	32,495	4,839
LONG TERM ASSETS		**3,840,977**	**3,715,321**
Assets Held for Sale (within one year)	14e	3,226	893
Inventories		0	10
Short Term Debtors	16	133,997	155,936
Short Term Investments	15a	74,427	123,664
Cash and Cash Equivalents	34	16,363	27,980
CURRENT ASSETS		**228,013**	**308,483**
Short Term Borrowing	15a	(13,056)	(6,876)
Short Term Creditors	17,18	(199,683)	(171,968)
Provisions	23	(63,327)	(11,588)
Grants Receipts in Advance – Revenue	18	(16,698)	(14,237)
Grants Receipts in Advance - Capital	19	(10,868)	(15,051)
CURRENT LIABILITIES		**(303,632)**	**(219,720)**
Long Term Creditors	15a	(102,358)	(106,129)
Provisions	23	(45,362)	(3,877)
Long Term Borrowing	15a	(401,658)	(412,717)
Other Long Term Liabilities - IAS19 Pension Liability	26	(609,081)	(631,155)
Grants Receipts in Advance - Capital	19	(34,522)	(29,100)
LONG TERM LIABILITIES		**(1,192,981)**	**(1,182,978)**
NET ASSETS		**2,572,377**	**2,621,106**
Total usable reserves	29a	(281,319)	(272,570)
Total unusable reserves	30	(2,291,058)	(2,348,536)
TOTAL RESERVES		**(2,572,377)**	**(2,621,106)**

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**	**2017/18**	2016/17
		£'000	£'000
Net (surplus) or deficit on the provision of services		184,578	35,876
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(291,973)	(121,493)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		47,395	51,660
Net cash flows from Operating Activities		**(60,000)**	**(33,957)**
Investing Activities	31	82,178	49,948
Financing Activities	32	(10,561)	(2,985)
Net (increase) or decrease in cash and cash equivalents		**11,617**	**13,006**
Cash and cash equivalents at the beginning of the reporting period		27,980	40,986
Cash and cash equivalents at the end of the reporting period	34	**16,363**	**27,980**

Adjustment of Net (Surplus) on Provision of Services	**2017/18**		2016/17	
	£'000	**£'000**	£'000	£'000
		184,578		**35,876**
Adjust net surplus or deficit on the provision of services for non-cash movements				
Depreciation and amortisation	(66,832)		(62,024)	
Impairment and revaluations	(63,869)		(21,920)	
(Increase)/Decrease in Creditors	(4,738)		(879)	
Increase/ (Decrease) in Debtors	2,361		(676)	
(Decrease)/Increase in Inventories	(10)		0	
Other adjustments	145		810	
Non Cash PFI expenditure	307		272	
Increase/(Decrease) in Accrued Investment Income	(237)		(454)	
Pension Liability	(16,167)		(1,211)	
Contributions (to)/from Provisions	(93,224)		9,748	
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(49,709)		(45,159)	
		(291,973)		**(121,493)**
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	34,926		31,585	
Proceeds from the sale of property plant and equipment, investment property and intangible assets	12,469		20,075	
		47,395		**51,660**
Net Cash Flows from Operating Activities		**(60,000)**		**(33,957)**

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 2017/18, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).
- The Service Reporting Code of Practice 2017/18 (SeRCOP).
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs).

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

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

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Current value, comprising existing use value for social housing. Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies.
Property, Plant and Equipment: Other Land and Buildings	Current value, comprising existing use value. Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost.
Property, Plant and Equipment: Surplus Assets	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 2018 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

B. Adjustments Between Accounting Basis and Funding Basis

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

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.	Capital Adjustment Account
Intangible Assets	Amortisation and impairment		Capital Adjustment Account
Investment Properties	Movements in fair value		Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2017/18		Capital Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2017/18 or were received in 2017/18 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 2018) 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 2017/18	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 2017/18.	Pensions Reserve
Council Tax	Accrued income from 2017/18 bills	Demand on the Collection Fund for 2017/18 plus share of estimated surplus at 31 March 2018	Collection Fund Adjustment Account
Business Rates	Accrued income from 2017/18 bills	Precept from the Collection Fund for 2017/18	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2018	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.

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.

Community Infrastructure Levy
The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.
CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

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.

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

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).

<u>Useful Economic Lives</u>

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.

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

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

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

L. Termination Benefits

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

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 strategy.

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.

Q. Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

R. Employee Benefits Payable During Employment

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

S. Schools

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

T. VAT

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

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 2018 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

In December 2017 the Council launched a redress scheme to compensate survivors of sexual, physical and psychological abuse in Lambeth Children's Homes dating back to the 1930s up to the 1990s. The scheme enables compensation to be paid out without using the court system enabling compensation to be paid more quickly and without sums being spent in legal fees. The scheme is expected to run for two years from January 2018.

The Council has received independent actuarial advice on the cost of the scheme and this estimated that there could be up to 3,000 claims and a possible cost of £100m. The Council has received a capitalisation direction from Central Government enabling it to treat payments up to this sum as capital expenditure and therefore fund this from borrowing. The Council has set aside a provision for the full amount in 2017/18 and reversed the general fund impact of this to a new capitalisation direction reserve.

There remains significant uncertainty in the total value of payments that may be required to be made as a result of the establishment of the redress scheme. A peer review of the scheme valuation was undertaken by the Government Actuarial Department, which estimated that the final value of claims could range between £30m and £250m. The uncertainties in valuing the liability arise from the following factors:

- There is uncertainty in the number of applicants that will make claims to the scheme. The scheme is open for claims to be made for a period of two years and therefore not all claims had been received at the time of preparing the accounts. Full records are not available of all potentially affected individuals and it is not known what proportion will make a claim. Information has been utilised where possible from similar international schemes to assess the likely number of claims.

- There is also uncertainty in the value of the claims that will be awarded. The scheme comprises two elements: Harms Way Payments which are set amounts dependent on the length of time an individual was resident in a Children's Home, and Individual Redress Payments which are compensation for actual harm incurred following medical and legal review. Assumptions have been made as to the average level of claims that will be made in each category, however an increase in the number of payments or comparatively more Individual Redress Payments with potentially higher compensation could lead to the level of the liability increasing from the current valuation.

The actuarial advice also estimated that there may be more complex claims that would cost more and fall outside the redress scheme setup by the Council, which are those considered to be above a £125k threshold. The Council's view is that this figure is too uncertain to provide for at this stage and if these did arise the Council would liaise with Central Government regarding capitalisation of these costs or utilising any unused amounts of the £100m capitalisation direction for this purpose. This will continue to be monitored closely during the 2018/19 financial year.

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**	**3,081**	**79,372**
0.5% increase in salary increase rate	**<1**	**1**	**85**	**19,470**
0.5% increase in pension increase rate	**6**	**8**	**4,735**	**158,769**
0.5% decrease in real discount rate	**6**	**9**	**4,745**	**180,010**

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

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

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 2017/18 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.

Homes for Lambeth

On 3 July 2017 Lambeth Council setup four Limited Companies to deliver housing within the Council area. These are called:

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

The Council is the sole 100% shareholder of the companies. As at 31 March 2018 no material transactions had been undertaken by the group of companies and therefore preparation of group accounts was not relevant for the 2017/18 financial year.

Schools Balances

Figures for schools balances included within the accounts are based on year end forecasts provided by schools as at the end of February 2018

2b. Post Balance Sheet

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

2c. Accounting Standards Issued but not yet adopted

IFRS 9 Financial Instruments has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 9 was devised to correct weaknesses in accounting practices that contributed to the global financial crisis. In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as fair value gains and losses arise
- changes the model for impairment loss allowances for financial assets from one based on incurred losses to one based on expected losses

The first of these changes is not relevant to the Council as it has no investments that are currently required to be measured at fair value (or will be so required after 1 April 2018).

The second change relating to impairment losses will require Lambeth to review the allowances it currently makes for credit risk on debtors and investments to include losses expected to arise in the future rather than just those incurred at the balance sheet date. Any impact on the Council is not expected to be financially material.

IFRS 15 Revenue from Contracts with Customers has been adopted by the 2018/19 Accounting Code, with an application date of 1 April 2018. IFRS 15 introduces a new model for the recognition of contractual income, based on allocating the overall transaction price for the goods and/or services to be provided against the satisfaction of the various performance obligations in the contract. The new model has the potential to change the date at which revenue is recognised compared to the current accounting requirements. No material financial impact is expected for the Council.

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 2018				Year Ended 31 March 2017			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustments**	**Other Differences**	**Total Adjustments**	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Adults & Public Health	1,313	0	0	1,313	857	0	0	857
Children's Services	10,898	0	0	10,898	12,527	0	0	12,527
Corporate Items	64,067	(1,631)	(240)	62,196	3,696	(16,107)	19	(12,392)
Corporate Resources	98,873	0	0	98,873	(494)	0	0	(494)
Housing Revenue Account	35,677	694	(26)	36,345	48,033	(3,183)	5	44,855
Neighbourhoods & Growth	22,490	0	0	22,490	14,925	0	0	14,925
Net Cost of Services	**233,318**	**(937)**	**(266)**	**232,115**	**79,544**	**(19,290)**	**24**	**60,278**
Other income and expenditure from the Expenditure and Funding Analysis	(60,768)	17,104	(6,456)	(50,120)	(56,159)	20,501	(4,607)	(40,265)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**172,550**	**16,167**	**(6,722)**	**181,995**	**23,385**	**1,211**	**(4,583)**	**20,013**

4. Expenditure & Income Analysed by Nature

	2017/18 £'000	2016/17 £'000
Expenditure		
Employee benefits expenses	336,360	351,450
Other services expenses	863,635	789,602
Support service recharges	(3,191)	(1,155)
Depreciation, amortisation, impairment	130,701	83,945
Interest payments	31,625	32,777
Precepts and levies	4,278	4,265
Payments to Housing Capital Receipts Pool	2,554	3,373
Loss on the disposal of assets	37,240	5,506
Total expenditure	**1,403,202**	**1,269,763**
Income		
Fees, charges and other service income	(275,318)	(284,843)
Interest and investment income	(916)	(1,429)
Income from council tax, non-domestic rates	(215,644)	(276,455)
Government grants and contributions	(726,746)	(671,160)
Total income	**(1,218,624)**	**(1,233,887)**
(Surplus) or Deficit on the Provision of Services	**184,578**	**35,876**

5. Material Items of Income and Expense

<u>Revaluation Loss and Impairment</u>

In 2017/18 there was a total net revaluation loss of £63.9m. Of this, £57.4m net revaluation loss was recorded in the GF due to Your New Town Hall becoming operational in year, and now being valued on an existing use value basis, instead of on a cost basis. (The remaining £6.5m net revaluation loss was recorded in the HRA due to the social housing discount applied to properties that became operational during the year).
In 2016/17 there was a total net reversal of revaluation loss of £21.9m, of this £20.1m 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.

<u>Loss on Disposal of non-current assets</u>

In 2017/18 there is a net loss on disposal of non-current assets of £37.3m (£5.5m in 2016/17). In 2017/18 two Lambeth schools became academies resulting in a loss on disposal of £46.0m for the carrying value of the associated land and buildings (in 2016/17 no Lambeth schools became academies). The amounts were £11.1m for Rosendale Primary School and £34.9m for Elmgreen School.

Redress Scheme

The Council has included a provision of £100m in the accounts included within Corporate Resources on the Comprehensive Income and Expenditure Statement (CIES) and within Other Service Expenses in Note 4 to fund payments for compensation for historic child abuse under the Council's redress scheme. The Council utilised £2m in year.

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.

	2017/18 £'000	2016/17 £'000
Enforcement Income	(16,107)	(15,399)
Permits	(5,199)	(5,414)
Suspensions	(1,218)	(920)
Pay for Parking		
Off Street Income	(78)	(108)
On Street Income	(5,339)	(4,813)
Total Income	**(27,941)**	**(26,654)**
Expenditure	16,006	14,549
(Surplus)/Deficit for the year	**(11,935)**	**(12,105)**
Use of Surplus		
Revenue Contribution to Capital	2,500	2,500
Road Safety	41	111
Other Highways Expenditure	1,585	379
Structural Maintenance inc. Footways & Carriageways	838	1,056
Concessionary Fares	6,300	7,000
Transport Planning	2	447
Aids to Movement, Furniture & Fittings	644	78
Other Contributions to Transport Related Works	20	322
Contributions to Parking Reserves	0	300
	11,930	**12,193**
(Surplus) / Deficit for year	**(5)**	**88**

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.

	2017/18			2016/17		
	Chargeable £'000	**Non-Chargeable £'000**	**Total £'000**	Chargeable £'000	Non-Chargeable £'000	Total £'000
Expenditure						
Employees	362	155	517	436	109	545
Premises	1	0	1	1	0	1
Transport	4	2	6	5	1	6
Supplies & Services	14	6	20	30	7	37
Third Party Payments	5	2	7	74	19	93
Support Services	(6)	(3)	(9)			
Central & Support Charges	164	71	235	165	42	207
	544	**233**	**777**	**711**	**178**	**889**
Income						
Building Regulations Charges	**(541)**	**0**	**(541)**	**(689)**	**0**	**(689)**
(Surplus)/Deficit for the Year	**3**	**233**	**236**	**22**	**178**	**200**

8. Members' Allowances

	2017/18 £'000	2016/17 £'000
Members' Allowances	746	749
Special Responsibility Allowance	490	495
Members' Expenses*	0	0
	1,236	**1,244**

*Members' expenses were less than £500.

9a. Senior Officers' Remuneration

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

Name and Title	Year	Salary, fees & allowances including payment for compensation for loss of office £	Expense Allowances £	Total Remuneration excluding employers' pension contributions £	Employers' pension contributions £	Election Payment £	Total Remuneration incl employers' pension contributions £
Sean Harriss [1]	**2017/18**	**209,809**	**1,587**	**211,396**	**21,001**	**14,433**	**246,830**
Chief Executive	2016/17	181,800	0	181,800	30,543	20,482	232,825
Interim Chief Executive [2]	**2017/18**	**123,512**	**0**	**123,512**	**0**	**0**	**123,512**
Jacqueline Belton	**2017/18**	**151,189**	**0**	**151,189**	**28,032**	**3,296**	**182,517**
Strategic Director, Corporate Resources	2016/17	149,635	0	149,635	25,823	3,273	178,732
Helen Charlesworth-May	**2017/18**	**155,248**	**0**	**155,248**	**28,410**	**0**	**183,658**
Strategic Director – Adults and Health	2016/17	153,711	0	153,711	25,823	0	179,534
Susan Foster	**2017/18**	**155,248**	**0**	**155,248**	**28,410**	**256**	**183,914**
Strategic Director – Neighbourhoods & Growth	2016/17	153,711	0	153,711	25,823	0	179,534
Annie Hudson [3]	**2017/18**	**164,248**	**0**	**164,248**	**0**	**0**	**164,248**
Strategic Director – Children's Services							
Christina Thompson[4]	**2017/18**	**141,586**	**0**	**141,586**	**25,910**	**256**	**167,752**
Director of Finance & Property	2016/17	116,145	0	116,145	19,512	0	135,657
Ruth Hutt [5]	**2017/18**	**85,500**	**0**	**85,500**	**12,295**	**0**	**97,795**
The Director of Public Health	2016/17	14,119	0	14,119	2,020	0	16,139
Dr. Ruth Wallis [6]							
Joint Health Executive Director -Lambeth and Southwark	2016/17	170,073	0	170,073	4,255	0	174,328
Christopher Toye	**2017/18**	**176,900**	**0**	**176,900**	**24,443**	**0**	**201,343**
Ashmole, Vauxhall and Wyvil Schools	2016/17	160,098	0	160,098	26,384	0	186,482
Richard Thornhill [7]	**2017/18**	**12,625**	**0**	**12,625**	**1,477**	**0**	**14,102**
CEO - Loughborough	2016/17	151,500	0	151,500	24,967	0	176,467
Sir Craig Tunstall [8]	**2017/18**	**238,799**	**0**	**238,799**	**0**	**0**	**238,799**
Federation of Kingswood & Elmwood Primary Schools and Children's Centres	2016/17	366,983	0	366,983	31,231	0	398,214

1. Sean Harris left the Council on the 15th of November 2017. Payment to Sean Harriss includes payments made for Compensation for Loss of Office. These amount to £77,745 in 2017/18.
2. The Interim Chief Executive was appointed in October 2017. The amount shown is the total amount paid inclusive of agency fees.
3. Annie Hudson started on the 1st April, 2017 as permanent Strategic Director and was Interim Strategic Director before then.
4. Christina Thompson had back-dated payment this financial year.
5. Ruth Hutt was seconded from Lewisham to Lambeth from February 2017.
6. Dr Ruth Wallis left the Organisation in 2016/17 and no payment has been made to her in 2017/18.
7. Richard Thornhill left the Council in April 2017.
8. 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 school employees		Number of other employees		Total number of employees	
Remuneration band	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
£50,000 - £54,999	165	165	73	62	**238**	227
£55,000 - £59,999	122	98	57	65	**179**	163
£60,000 - £64,999	47	48	42	27	**89**	75
£65,000 - £69,999	25	27	16	12	**41**	39
£70,000 - £74,999	28	24	17	21	**45**	45
£75,000 - £79,999	21	11	9	5	**30**	16
£80,000 - £84,999	11	17	12	10	**23**	27
£85,000 - £89,999	7	6	3	5	**10**	11
£90,000 - £94,999	7	13	2	3	**9**	16
£95,000 - £99,999	6	6	1	3	**7**	9
£100,000 - £104,999	7	2	2	1	**9**	3
£105,000 - £109,999	2	3	0	2	**2**	5
£110,000 - £114,999	0	0	2	0	**2**	0
£115,000 - £119,999	0	2	1	3	**1**	5
£120,000 - £124,999	2	0	0	0	**2**	0
£125,000 - £129,999	0	0	1	0	**1**	0
£130,000 - £134,999	1	1	1	0	**2**	1
£135,000 - £139,999	1	1	1	0	**2**	1
Total for £50,000 to £139,999	452	424	240	218	**692**	643

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	
							£	£
	2017/18	2016/17	**2017/18**	2016/17	**2017/18**	2016/17	**2017/18**	2016/17
0 – 20,000	19	8	83	87	102	95	773,265	866,837
20,001 – 40,000	2	4	14	64	16	68	437,274	1,866,798
40,001 – 60,000	5	0	7	12	12	12	586,713	560,616
60,001 – 80,000	4	1	2	2	6	3	429,735	214,588
80,001 – 100,000	1	1	0	0	1	1	80,321	80,097
100,001 – 150,000	0	0	0	4	0	4	0	485,620
200,001 – 250,000	0	0	0	1	0	1	0	238,081
Total cost of exit package before provision	**31**	**14**	**106**	**170**	**137**	**184**	**2,307,308**	**4,312,637**

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:

	2017/18 £'000	2016/17 £'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	45	42
	253	**250**

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	**2017/18 £'000**	2016/17 £'000
Adult Social Care Support	(1,516)	0
Better Care Fund	(7,964)	0
Community Infrastructure Levy	(1,954)	(1,502)
Education Services Grant	0	(2,880)
Housing and Council Tax Benefit	(2,292)	(2,514)
New Homes Bonus & New Homes Bonus Top Slice	(11,622)	(14,253)
NDR S31 Grant	(4,686)	(1,461)
Tackling Troubled Families	(1,494)	(1,158)
Grants Under £1.5m	(4,704)	(3,667)
Total Credited to Taxation and Non Specific Grant Income	**(36,232)**	**(27,435)**
Adult and Community Learning	(2,049)	(2,235)
Dedicated Schools Grant	(216,075)	(216,913)
New Homes Bonus Scheme – Pooled with GLA	(473)	(1,769)
Discretionary Housing Payments	(1,501)	(1,417)
Housing and Council Tax (Benefit and Subsidy)	(233,207)	(252,329)
JCP Flexible Support Grant	(3,674)	0
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	(1,719)	(1,388)
Public Health Grant	(32,238)	(33,053)
Pupil Premium	(14,063)	(15,023)
Universal Infant Free School Meals	(2,867)	(2,849)
YPLA (LSC) 6th Form Grant	(5,902)	(6,450)
Unaccompanied Children's Grant	(1,906)	(537)
Other Government Grants - Revenue (under £1.5m)	(7,535)	(7,369)
Other non -Government Grants - Revenue	(849)	(681)
Better Care Fund - S75 Pooled Budget	(9,704)	(11,466)
Contributions from Health Authorities	(13,821)	(7,288)
Schools - Catering, Facilities & Services	(9,737)	(13,274)
Section 106	(2,666)	(1,849)
Other Contributions under £1.5m	(3,835)	(4,422)
Total Credited to Services (Grants and Contributions)	**(573,481)**	**(589,972)**
Grand Total	**(609,713)**	**(617,407)**

11b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18: -

Credited to Taxation and Non Specific Grant Income	2017/18 £'000	2016/17 £'000
Transport for London	(2,263)	(4,344)
Section 20 Receipts	(8,690)	0
Standard Fund	(13,963)	(15,121)
Outer London Fund	0	(6)
S106 developers' contributions	(4,288)	(2,088)
Other Grants - Capital (under £1.5m)	(1,128)	(1,611)
Home Zone Contribution	(1,598)	0
Community Infrastructure Levy	(4,559)	0
Total Taxation and Non Specific Grant Income	**(36,489)**	**(23,170)**

Credited to Services	2017/18 £'000	2016/17 £'000
Transport for London	(39)	0
Standards Fund	(566)	(3,193)
S106 developers' contributions	(269)	(4,159)
Other Grants-Capital (under 1.5m)	(2,122)	(1,063)
Total Credited to Services	**(2,996)**	**(8,415)**

Grand Total	**(39,485)**	**(31,585)**

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

	2017/18 £'000	2016/17 £'000
Capital grants and Contributions – other (see note 11b)	(36,489)	(23,170)
Council Tax income	(106,780)	(103,183)
NNDR Retained Income	(49,326)	(38,015)
Revenue Support Grant	(53,556)	(69,345)
Top-Up grant – business rates retention scheme	(59,538)	(65,912)
Other Non service related grants (see note 11a)	(36,232)	(27,435)
Taxation and Non-Specific Grant Income	**(341,921)**	**(327,060)**

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 2018 unless otherwise stated.

<u>Central Government</u>

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits). Details of transactions with government departments are set out in note 11. Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 18 and 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 2017/18 £17,093k (£1,347k 2016/17) was paid to organisations in which 19 members (18 members in 2016/17) were on the governing body. Details of all these relationships are recorded in the Register of Members' Interests or the List of Council's Representatives on Other Bodies and Outside Organisations which are open to public inspection at Lambeth Town Hall during office hours. Further information is available in note 8 on allowances paid to members.

Other Public Bodies

In addition, the Council paid £14,185k (£14,293k in 2016/17) to Western Riverside Waste Authority in respect of waste disposal charges and £1,714k (2016/17 £1,761k) in respect of levies.

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

The Council has borrowing (including accrued interest) of £414,714k (£419,593k in 2016/17) with the Public Works Loan Board (PWLB). Interest payable on these loans was £22,769k (£22,999k in 2016/17). 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 £582k as at 31 March 2018 (£808k as at 31 March 2017). 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 £845k 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	**2017/18 £'000**	2016/17 £'000
Lambeth Council	(9,222)	(1,145)
CCG	(22,834)	(22,399)
Total funding provided to the pooled budget	**(32,056)**	**(23,544)**
Lambeth Council	19,133	8,061
CCG	12,923	15,483
Total expenditure met from the pooled budget	**32,056**	**23,544**
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 2018	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	2,315,782	1,247,786	122,474	236,601	5,559	21,644	31,784	**3,981,630**
Accumulated Depreciation	(198)	(13,131)	(83,657)	(81,847)	0	0	0	**(178,833)**
Carrying Amount	**2,315,584**	**1,234,654**	**38,817**	**154,755**	**5,559**	**21,644**	**31,784**	**3,802,797**

Owned	2,277,055	1,191,820	37,911	141,141	5,382	21,644	31,784	**3,706,737**
PFI / Finance Lease	38,529	42,834	906	13,614	177	0	0	**96,060**
Carrying Amount	**2,315,584**	**1,234,654**	**38,817**	**154,755**	**5,559**	**21,644**	**31,784**	**3,802,797**

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 2017	**2,227,514**	**1,183,473**	**35,797**	**155,592**	**5,249**	**34,980**	**60,649**	**3,703,254**
Reclassifications	11,207	79,110	(1)	(1)	(1)	(13,501)	(76,813)	**0**
Additions	82,245	28,555	12,958	9,655	311	32	47,948	**181,704**
Revaluations	26,684	21,307	0	0	0	648	0	**48,639**
Depreciation	(25,986)	(17,231)	(9,854)	(10,491)	0	(297)	0	**(63,859)**
Impairments	(2,482)	(12,187)	(12)	0	0	(218)	0	**(14,899)**
Disposals and Decommissioning	(3,598)	(46,040)	(71)	0	0	0	0	**(49,709)**
Assets reclassified (to) / from Held for Sale	0	(2,333)	0	0	0	0	0	**(2,333)**
At 31 March 2018	**2,315,584**	**1,234,654**	**38,817**	**154,755**	**5,559**	**21,644**	**31,784**	**3,802,797**

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**

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:

	2017/18 Software Licences £'000	2016/17 Software Licences £'000
Balance at start of year:		
· Gross carrying amounts	12,947	12,061
· Accumulated amortisation	(6,860)	(4,701)
Net carrying amount at start of year	**6,087**	**7,360**
· Purchases	1,288	889
· Amortisation for the period	(2,973)	(2,162)
Net carrying amount at end of year	**4,402**	**6,087**
Comprising:		
· Gross carrying amounts	14,235	12,947
· Accumulated amortisation	(9,833)	(6,860)
Balance at end of year	**4,402**	**6,087**

14c. Capital Expenditure and Capital Financing

Capital Financing Requirement	**2017/18 £'000**	2016/17 £'000
Opening Capital Financing Requirement	**762,298**	**630,676**
Adjustment to prior year's closing	272	0
Capital Investment		
Property, Plant and Equipment	183,201	210,741
Heritage Assets	144	27
Intangible Assets	1,288	889
Revenue Expenditure Funded from Capital under Statute	7,749	10,675
Long Term Capital Debtors	28,134	0
Sources of Finance		
Capital Receipts Recycled 141	(8,476)	(3,374)
Capital Receipts	(26,016)	(7,307)
Government grants and other contributions	(21,852)	(25,140)
Major Repairs Reserve	(30,034)	(27,882)
Section 20	(7,862)	
S106 contributions	(4,557)	(6,248)
Community Infrastructure Levy	(960)	0
Direct revenue contributions	(11)	(84)
Sums set aside from revenue	(19,883)	(18,356)
MRP / loans principal	(2,829)	(2,319)
Closing Capital Financing Requirement	**860,606**	**762,298**
Explanation of movements in year		
Increase / (decrease) in underlying need to borrow	98,308	126,333
Assets acquired under PFI/PPP contracts	0	3,489
Increase / (decrease) in Capital Financing Requirement	**98,308**	**129,822**

14d. Capital Commitments

	31 March 2018 £'000	31 March 2017 £'000
Adults & Public Health	148	110
Children's Services	18,868	2,204
Housing Revenue Account	19,342	21,058
Neighbourhoods and Growth	4,964	6,787
Total	**43,322**	**30,159**

As at 31st March 2018, the authority has entered into a number of contracts for the construction of Plant, Property and Equipment in 2017/18. One major commitments is:

- Construction of Woodmansterne Secondary School £18,827k (£458k in 2016/17)

The figures in the note above are based on outstanding amounts on specific contracts.
The basis of figures for this note has changed since last year, when budgeted figures were used. Figures for 2016/17 have been restated accordingly, but have not been audited.

14e. Assets Held for Sale

	Current	
	2017/18 £'000	2016/17 £'000
Balance at start of year	**893**	**800**
Assets newly classified as held for sale:		
· Property, Plant and Equipment	2,333	893
Assets sold	0	(800)
Balance at year-end	**3,226**	**893**

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 2018 £'000	31 March 2017 £'000	**31 March 2018 £'000**	31 March 2017 £'000
Rents	0	0	(6,650)	(5,520)
Right to buy service charges and s20 works	0	0	(4,963)	(2,161)
Other payables	0	0	(122,470)	(121,806)
Short-term Borrowing – PWLB	0	0	(13,056)	(6,876)
Short-term creditors – IFRIC 12	0	0	(4,769)	(4,586)
Long-term Borrowing – PWLB	(401,658)	(412,721)	0	0
Long-term creditors – IFRIC12	(101,359)	(106,129)	0	0
Total Financial Liabilities at Amortised Cost	**(503,017)**	**(518,850)**	**(151,908)**	**(140,949)**
Rents	0	0	7,190	6,166
Right to buy service charges	0	0	21,145	35,746
Other receivables	0	0	59,360	112,901
Pension Fund	0	0	0	1,124
Long-term Debtors	32,496	4,839	0	0
Investments	0	0	74,427	123,664
Total Loans and Receivables	**32,496**	**4,839**	**162,122**	**279,601**

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

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors. The short-term investments amount to £74.4m at 31 March 2018 and £123.7m at 31 March 2017.

15b. Impairment (credit) losses on receivables

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	Rent Debtors £'000	Sundry Debtors £'000	RTB service charges and S20 works £'000	Parking Debtors £'000	Total £'000
Balance as at 31 March 2016	**(14,126)**	**(7,426)**	**(2,142)**	**(8,141)**	**(31,835)**
Write-offs	7,816	100	96	2,780	10,792
Set up/Release	(5,497)	(2,240)	0	(3,423)	(11,160)
Balance as at 31 March 2017	**(11,807)**	**(9,566)**	**(2,046)**	**(8,784)**	**(32,203)**
Write-offs	1,956	898	0	5,802	8,656
Set up/Release	(362)	(1,122)	0	(6,585)	(8,069)
Balance as at 31 March 2018	**(10,213)**	**(9,790)**	**(2,046)**	**(9,567)**	**(31,616)**

15c. Income, Expense, Gains and Losses

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

	31 March 2018 £'000	31 March 2017 £'000
Interest Receivable	(916)	(1,429)
Interest Payable	31,637	32,777
Impairment Loss on loans and receivables	8,069	11,160
	38,790	**42,508**

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 2018		31 March 2017
	Carrying amount	**Carrying amount**	Carrying amount	Fair value
	£'000	**£'000**	£'000	£'000
Financial liabilities – PWLB debt	(408,069)	(788,182)	(412,717)	(805,545)

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

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

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

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

- Deposits are made with banks and other financial institutions that have been rated by independent credit rating agencies with a minimum score of BBB-.
- Deposits can be made with other institutions that have not found it necessary to maintain a credit rating e.g. certain building societies and local authorities, subject to an assessment of risk that is carried out internally. Deposits to these bodies are limited to a percentage of the asset value of the institution.

- No more than £20 million is held with any one institution, regardless of standing or duration, except for the Council's main bank (NatWest) and the government DMADF facility. A range of counterparties are used to diversify and spread risk.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2018 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 2018**	**Historical experience of default**	**Estimated maximum exposure at 31 March 2018**	Amount at 31 March 2017	Historical experience of default	Estimated maximum exposure at 31 March 2017
	£'000	**%**	**£'000**	£'000	%	£'000
Rents	17,402	11.52%	**2,004**	17,972	13.93%	**2,504**
Right-to-buy service charges and S20 works	23,191	0.08%	**19**	37,791	0.31%	**118**
Other receivables	162,465	6.57%	**10,670**	100,172	7.17%	**7,183**
	203,058		**12,963**	**155,936**		**9,805**

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 2018 £'000**	31 March 2017 £'000
Investments with Banks	15,110	52,610
Investments with Building Societies	59,000	63,000

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)	**Rents***	**RTB service charges an s20 works**	**Sundry debt**	**Total**
31 March 2018	**£'000**	**£'000**	**£'000**	**£'000**
Less than 1 year	2,301	274	20,931	**23,506**
Over 1 year	3,742	22,916	20,398	**47,056**
Total as at 31 March 2018	**6,043**	**23,190**	**41,329**	**70,562**

Aged Analysis of Financial Assets (excl Investments)	Rents*	S20 lease-holders	Sundry debt	Total
31 March 2017	£'000	£'000	£'000	£'000
Less than 1 year	5,441	371	21,710	**27,522**
Over 1 year	725	18,775	17,202	**36,702**
Total as at 31 March 2017	**6,166**	**19,146**	**38,912**	**64,224**

* 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. There is no risk that it will be unable to raise finance to meet its commitments under financial instruments. 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 2018 £'000	31 March 2017 £'000
Maturing in 1 to 10 years	81,960	63,620
Maturing in 10 to 20 years	42,037	65,025
Maturing in 20 to 30 years	41,669	22,437
Maturing in 30 to 40 years	183,645	147,105
Maturing in more than 40 years	58,758	114,530
	408,069	**412,717**

Market Risk

The Council is not exposed to any significant risks in terms of interest rate movements on its borrowing and investments. The spread of investments takes account of prevailing and as far as possible future market forecasts from different sources of the trend and future interest rates risks. All borrowing is with the Public Works Loan Board on a fixed term and fixed interest basis. Current market conditions are not conducive to raise finance unless it is for specific purposes. The return on investments would not cover the cost of servicing the debt. Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Comprehensive Income and Expenditure Statement. Based on the amount of cash held in such accounts at 31 March 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 2018 £'000	31 March 2017 £'000
Central government bodies	19,233	25,255
Other Local Authorities	6,409	8,352
Public Corporations and Trading Funds	1	0
National Health Service Bodies	5,441	3,744
Other Entities and Individuals	102,912	118,585
Total	**133,997**	**155,936**

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

	31 March 2018 £'000	31 March 2017 £'000
Central government bodies*	(62,527)	(43,290)
Other Local Authorities	(5,894)	(8,572)
Public Corporations and Trading Funds	(1,444)	(1,674)
National Health Service Bodies	(8,466)	(9,993)
Other Entities and Individuals	(138,050)	(122,676)
Total	**(216,381)**	**(186,205)**

* 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 2018 £'000	31 March 2017 £'000
Dedicated Schools Grant	(4,895)	(6,638)
Housing and Council Tax (Benefit and Subsidy)	(5,268)	(3,688)
JCP Flexible Support Grant	(835)	0
Lilian Baylis PFI Project	(1,000)	0
LSC - Adult & Community Learning	(782)	(699)
S31 NDR Retail relief	(1,978)	(427)
Government Grants (under £500k)	(1,930)	(2,585)
Government Grants Subtotal	**(16,688)**	**(14,037)**
Non-Government Grants	(10)	(200)
Total Revenue Grant Receipts in Advance	**(16,698)**	**(14,237)**

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 2018 £'000	31 March 2017 £'000
Developers' contribution	(6,718)	(11,984)
Standard Fund	(1,470)	(189)
Other Grant	(2,680)	(2,878)
CURRENT LIABILITIES	**(10,868)**	**(15,051)**
Developers' contribution	(29,266)	(21,703)
Standard Fund	(2,823)	(5,550)
Other Grant	(2,433)	(1,847)
NON-CURRENT LIABILITIES	**(34,522)**	**(29,100)**
Total Capital Grants Receipts in Advance	**(45,390)**	**(44,151)**

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 2017/18 are as follows:

2017/18 DSG	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2017/18 before Academy recoupment			(274,710)
Less: Academy Figure recouped for 2017/18			59,794
Total DSG after Academy recoupment for 2017/18			**(214,916)**
Plus: Brought forward from 2016/17			(6,638)
Less: Carry-forward to 2018/19 advance			0
Agreed Initial Budgeted Distribution 2017/18	**(55,137)**	**(166,417)**	**(221,554)**
In-year Adjustments:	(246)	671	425
Final budgeted distribution for 2017/18	**(55,383)**	**(165,746)**	**(221,129)**
Less: Actual Central expenditure	50,488	0	50,488
Less: Actual ISB deployed to schools	0	165,746	165,746
Plus: Local Authority Contribution for 2017/18	0	0	0
Carried forward to 2018/19	**(4,895)**	**0**	**(4,895)**

21a. Leases – Authority as Lessee

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

	31 March 2018 £'000	31 March 2017 £'000
Not later than one year	3,567	3,490
Later than one year and not later than five years	10,236	6,607
Later than five years	6,430	4,145
	20,233	**14,242**

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 2017/18 was £3.876m (£3.924m in 2016/17).

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 £2.19m (£2.22m in 2016/17), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2016/17).

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 2018	31 March 2017	**31 March 2018**	31 March 2017
	£'000	£'000	**£'000**	£'000
Not later than one year	30	30	9	9
Later than one year and not later than five years	119	119	30	32
Later than five years	2,043	2,073	95	102
	2,192	**2,222**	**134**	**143**

Of the total of £2,192k, the element of unearned finance income was £1,772k, with £419k going towards repayment of the lease debtor (£1,800k and £420k in 2016/17). 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 2018	31 March 2017
	£'000	£'000
Not later than one year	2,378	2,020
Later than one year and not later than five years	7,173	6,080
Later than five years	21,745	21,079
	31,296	**29,179**

The total contingent rent relating to these arrangements in 2017/18 was £1.15m (2016/17 £1.05m).

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

The **Home to School** contract provides transport services for children and young people with special needs being educated in the borough. The contract ran until 2017 on the same terms. Payments in 2017/18 were £0.938m (£2.712m in 2016/17).

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 2017/18 amounted to £17.8m (£17.5m in 2016/17)

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 that started in June 2014 and £8.8m of new asset were recognized accordingly and £1.07m of payments were made in 2017/18 (£1.01m 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 2017/18 totalling £2.97m (£2.82m in 2016/17). 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 2017/18 amounted to £2.64m (£2.45m in 2016/17) and the contract will run until 2031.The authority will take full ownership of all created and refurbished lighting at the end of the contract.

Myatt's Field North Estate is being transformed by the construction of 305 new homes, refurbishment of 172 existing homes, and the creation of new streets, play areas and green spaces. The 25 year PFI contract started in 2012, with the construction phase of the project lasting until March 2017, with a total value of £80.7m recognised since the start of the contract. Payments on this contract in 2017/18 were £10.16m (£9.96m in 2016/17). 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	Lambeth Lighting £'000	Myatts Field North £'000	Total £'000
1 April 2017	**27,162**	**13,643**	**3,274**	**11,780**	**39,153**	**95,013**
Additions	210	0	906	2,191	239	**3,546**
Revaluations	2,217	0	0	0	1,707	**3,924**
Impairments	0	0	0	0	(1,638)	**(1,638)**
Other	18	0	0	0	0	**18**
Depreciation	(398)	(316)	(3,274)	(357)	(459)	**(4,804)**
31 March 2018	**29,209**	**13,327**	**906**	**13,614**	**39,003**	**96,059**

22b. The value of outstanding liabilities resulting from PFI and similar contracts at each Balance Sheet date and an analysis of the movement in those values. We have no finance leases.

	Lilian Baylis **£'000**	Lambeth Lighting **£'000**	Norwood Hall **£'000**	Home to School **£'000**	Waste Mgt **£'000**	Myatts Field North £'000	**Total** **£'000**
31 March 2016	**(10,249)**	**(8,800)**	**(8,333)**	**(515)**	**(2,861)**	**(80,865)**	**(111,623)**
Liability in year	0	0	0	0	0	(3,489)	**(3,489)**
Payments in year	359	609	230	374	273	2,552	**4,397**
31 March 2017	**(9,890)**	**(8,191)**	**(8,103)**	**(141)**	**(2,588)**	**(81,802)**	**(110,715)**
Liability in year							**0**
Payments in year	398	598	245	141	376	2,830	**4,588**
31 March 2018	**(9,492)**	**(7,593)**	**(7,858)**	**0**	**(2,212)**	**(78,972)**	**(106,127)**

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 2018 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	448	1,538	883	184	**3,053**	609	661	1,247	118	**2,635**
2-5 years	2,292	6,106	3,759	839	**12,996**	2,547	2,194	5,306	502	**10,549**
6-10 years	4,139	7,212	5,232	1,575	**18,158**	2,987	1,458	7,584	1,181	**13,210**
11-15 years	2,613	2,814	2,040	448	**7,915**	1,450	253	4,489	871	**7,063**
Total	**9,492**	**17,670**	**11,914**	**3,046**	**42,122**	**7,593**	**4,566**	**18,626**	**2,672**	**33,457**

	Waste Management			
	Liability £'000	**Interest** £'000	**Service** £'000	**Total** **£'000**
Within 1 year	518	975	16,804	**18,297**
2-5 years	1,694	1,403	34,880	**37,977**
Total	**2,212**	**2,378**	**51,684**	**56,274**

	Myatts Field North				**Norwood Hall**			
	Liability £'000	**Interest** £'000	**Service** £'000	**Total** **£'000**	**Liability** £'000	**Interest** £'000	**Service** £'000	**Total** **£'000**
Within 1 year	2,935	5,186	2,595	**10,716**	259	590	182	**1,031**
2-5 years	12,470	18,960	12,526	**43,956**	1,168	2,393	827	**4,388**
6-10 years	18,062	18,889	20,675	**57,626**	1,768	2,988	1,375	**6,131**
11-15 years	20,986	11,894	28,038	**60,918**	1,673	2,618	2,298	**6,589**
16-20 years	24,519	6,026	22,116	**52,661**	2,020	2,496	2,740	**7,256**
21-25 years	0	0	0	**0**	970	928	1,003	**2,901**
Total	**78,972**	**60,955**	**85,950**	**225,877**	**7,858**	**12,013**	**8,425**	**28,296**

23. Provisions

Description	31 March 2017 £'000	Additional provision £'000	Utilised £'000	Released £'000	31 March 2018 £'000
Dilapidations GF	(400)	0	0	0	(400)
Insurance Fund GF	(3,666)	(1,176)	1,587	0	(3,255)
NNDR Provision for Appeals	(6,513)	(15,198)	18,519	0	(3,192)
Single Status Provision	(87)	0	10	0	(77)
Redress Scheme	0	(100,000)	2,033	0	(97,967)
Small Provisions	(200)	(111)	200	0	(111)
Disputes	(1,008)	(1,443)	1,008	0	(1,443)
Sub-Total GF Provisions	**(11,874)**	**(117,928)**	**23,357**	**0**	**(106,445)**
Insurance Fund HRA	(2,468)	(380)	700	0	**(2,148)**
Litigation Provision	(1,027)	0	1,027	0	**0**
Sheltered Housing Provision*	(96)	0	0	0	**(96)**
Sub-Total HRA Provisions	**(3,591)**	**(380)**	**1,727**	**0**	**(2,244)**
Total Council Provisions	**(15,465)**	**(118,308)**	**25,084**	**0**	**(108,689)**

*Sheltered Housing Provision was previously disclosed within Disputes, under General Fund, it has now moved over to the HRA.

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.

2017/18 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2018 £'000
Dilapidations GF	(400)	0	0	(400)
Insurance fund GF	(1,221)	(1,549)	(485)	(3,255)
NNDR Provision for Appeals	(3,192)	0	0	(3,192)
Single Status Provision	(77)	0	0	(77)
Redress Scheme	(55,981)	(41,986)	0	(97,967)
Small Provisions	(111)	0	0	(111)
Disputes	(1,443)	0	0	(1,443)
Sub-Total GF Provisions	**(62,425)**	**(43,535)**	**(485)**	**(106,445)**
Insurance Fund HRA	(806)	(1,022)	(320)	(2,148)
Litigation Provision	0	0	0	0
Sheltered Housing Provision	(96)	0	0	(96)
Sub-Total HRA Provisions	**(902)**	**(1,022)**	**(320)**	**(2,244)**
Total Council Provisions	**(63,327)**	**(44,557)**	**(805)**	**(108,689)**

2016/17 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2017 £'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)**

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 2018 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 within the Borough. The Council set up a redress scheme in December 2017 to provide compensation for those who suffered abuse in Lambeth Children's Homes and the Government have enabled the Council to capitalise these payments, and therefore borrow to fund them, up to £100m. It is possible that payments could exceed the £100m level and the Council will continue to monitor expenditure in this regard and provide regular reports to Central Government. Expenditure materially higher than expected may result in a further capitalisation bid to Central Government.

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 2018 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 2017/18 the Council paid £11.3m to the TPA (£12.2m in 2016/17), representing 16.48% of pensionable pay (16.48% in 2016/17). The contributions due to be paid in the next financial year are estimated to be £11.5m in 2018/19 or 16.48% of pensionable pay. For 2017/18 the Council made contributions to the NHS Pension Scheme of £58K (£56K in 2016/17).

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.

	2017/18			2016/17		
	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	**(1,420,863)**	**2,052,018**	**631,155**	**(1,205,980)**	**1,805,127**	**599,147**
Current Service Cost	0	46,246	**46,246**	0	30,312	**30,312**
Past Service cost and gains/losses on curtailments	0	459	**459**	0	2,407	**2,407**
Interest Income and Expense	(35,804)	52,813	**17,009**	(42,177)	62,596	**20,419**
Admin Expense	95	0	**95**	82	0	**82**
Remeasurements						
Return on Plan Assets	(6,523)	5,292	**(1,231)**	(180,350)	(50,510)	**(230,860)**
Actuarial Gains and Losses arising from changes in demographic assumptions	0	0	**0**	(246)	(27,496)	**(27,742)**
Actuarial Gains and Losses from changes in Financial Assumptions	0	(37,010)	**(37,010)**	0	289,399	**289,399**
Contributions						
The Council	(41,513)	0	**(41,513)**	(52,009)	0	**(52,009)**
Employees	(8,243)	8,243	**0**	(8,191)	8,191	**0**
Payments						
Retirement Grants and Pensions	62,532	(62,532)	**0**	68,008	(68,008)	**0**
Settlements	1,265	(7,394)	**(6,129)**			
Closing Balance at 31 March	**(1,449,054)**	**2,058,135**	**609,081**	**(1,420,863)**	**2,052,018**	**631,155**

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

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

The principal assumptions used by the actuaries have been:

	LPFA		**Lambeth**	
	2017/18	2016/17	**2017/18**	2016/17
Longevity at 65 for current pensioners: Men	**20.9 years**	20.8 years	**21.6 years**	21.6 years
Women	**23.8 years**	23.7 years	**23.9 years**	23.9 years
Longevity at 65 for future pensioners: Men	**23.2 years**	23.1 years	**23.8 years**	23.8 years
Women	**26.1 years**	26.0 years	**26.0 years**	26.0 years
Rate of increase in salaries	**3.85%**	3.90%	**2.80%**	2.80%
Rate of increase in pensions(CPI)	**2.35%**	2.40%	**2.40%**	2.40%
Rate for discounting scheme liabilities	**2.50%**	2.30%	**2.70%**	2.60%

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 31. 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 2018		31 March 2017	
	£'000s	**%**	£'000s	**£'000s**
Equities	**45,383**	**62**	43,412	60
LDI/Cashflow matching	**0**	**0**	0	n/a
Target Return Portfolio	**16,633**	**22**	15,481	21
Infrastructure	**3,246**	**4**	3,858	5
Commodities	**0**	**0**	0	n/a
Property	**5,341**	**7**	3,735	5
Cash	**3,615**	**5**	6,779	9
Total	**74,218**	**100**	**73,265**	**100**

There has been an overall decrease in the net pension liability for 2017/18. The Council's obligations are an estimate, based on the best evidence that the actuaries have at March 31st 2018.

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 £33,480,000. 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	**2017/18 £000**	2016/17 £000
Cost of Services		
Current Service Cost	46,246	30,312
Past Service cost and gains/losses on curtailments	(5,670)	2,407
Admin Expense	95	82
Financing and Investment Income and Expenditure		
Interest Income and Expense (Net)	17,009	20,419
Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**57,680**	**53,220**
Re-measurements of the Net Defined Benefit Liability		
• Return on Plan Assets	(1,231)	(230,860)
• Actuarial Gains and Losses from changes in Financial Assumptions	(37,010)	289,399
• Actuarial Gains and Losses arising from changes in demographic assumptions	0	(27,742)
Total Re-measurements Recognised in CIES	**(38,241)**	**30,797**
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**19,439**	**84,017**

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 2018 £'000	Balance at 31 March 2017 £'000
Monies Held on behalf of adult care clients	(6,224)	(5,875)
Monies Held on behalf of children in care	(18)	(18)
Wellington Mills - Housing Corporative	307	(307)
Others*	(293)	(293)
Total Trust Funds	**(6,228)**	**(6,493)**

*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

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.

	Usable Reserves						
2017/18	**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	(15,473)	(694)	0	0	0	16,167	Pensions Reserve
· Council tax	6,123	0	0	0	0	(6,123)	Collection Fund Adjustment Account
· Holiday pay	240	27	0	0	0	(267)	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	(2,897)	(76)	0	0	0	2,973	Capital Adjustment Account
· Charges for depreciation and impairment	(91,561)	(36,167)	0	0	0	127,728	
· Revenue expenditure funded from capital under statute	(7,749)	0	0	0	0	7,749	
· Carrying amounts of non-current assets written off on disposal or sale	(46,111)	(3,598)	0	0	0	49,709	
· Capital grant income	37,981	8,691	0	0	(28,855)	(17,817)	
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	226	12,243	(32,707)	0	0	20,238	Deferred Capital Receipts
Use of capital receipts for revenue purposes:							
· Payments to the Government housing receipts pool	(2,554)	0	2,554	0	0	0	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	29,707	0	(29,707)	0	0	
Statutory revenue provisions for the financing of capital investment	2,264	566	0	0	0	(2,830)	Capital Adjustment Account
Capital expenditure financed from revenue balances	3,779	16,115	0	0	0	(19,894)	
Adjustments to Capital Resources							
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	34,492	0	0	(34,492)	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	4,557	0	0	0	0	(4,557)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	30,034	0	(30,034)	
Application of capital grants to finance capital expenditure	0	0	0	0	12,857	(12,857)	
Redress Capitalisation Scheme	(97,967)	0	0	0	0	97,967	Redress Capitalisation Directive Reserve
Cash payments in relation to deferred capital receipts	0	(1)	0	0	0	**1**	Deferred Capital Receipts
Total Adjustments	**(209,042)**	**27,047**	**4,339**	**327**	**(15,998)**	**193,327**	

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
	Usable Reserves						
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	**0**	
· Payments to the Government housing receipts pool	(3,373)	0	3,373	0	0	**0**	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	27,957	0	(27,957)	0	**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	**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**	

29a. Usable Reserves

	31 March 2018 £'000	31 March 2017 £'000
General Fund	(22,850)	(22,524)
LMS Balances	(15,150)	(15,964)
Earmarked Reserves – General Fund*	(48,935)	(50,240)
Earmarked Reserves - HRA	(44,390)	(45,184)
Housing Revenue Account	(10,750)	(10,747)
Capital Receipts Reserve	(64,578)	(68,918)
Capital Grants Unapplied Account	(74,917)	(58,919)
Major Repairs Reserve	251	(75)
Total Usable Reserves	**(281,319)**	**(272,570)**

*** 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

	2017/18 £'000	2016/17 £'000
Balance at 1 April	(15,964)	(19,663)
Overspent School Balances	3,882	5,403
Underspent School Balances	(3,068)	(1,704)
Balance at 31 March	**(15,150)**	**(15,964)**

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 2017/18.

General Fund Reserves	Balance at 31 March 2017 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2018 £'000
Earmarked Grants & Budget Carry-Forwards	**(7,616)**	(9,892)	4,348	**(13,160)**
Information and Communication Technology Investment	**(1,361)**	(799)	1,252	**(908)**
Insurance and Risk Management	**(3,311)**	(1,887)	365	**(4,833)**
Property and Assets	**(12,200)**	(4,251)	4,164	**(12,287)**
Transformation	**(7,594)**	(3,310)	1,367	**(9,537)**
CIL Reserve*	**(18,158)**	(6,604)	16,552	**(8,210)**
GF Sub-total	**(50,240)**	**(26,743)**	**28,048**	**(48,935)**
Housing Revenue Account Reserves				
Insurance and Risk Management	**(24,842)**	(3,829)	0	**(28,671)**
Property and Assets	**(20,342)**	(14,558)	19,181	**(15,719)**
HRA Sub-total	**(45,184)**	**(18,387)**	**19,181**	**(44,390)**
Council Total	**(95,424)**	**(45,130)**	**47,229**	**(93,325)**

*CIL funds amounting to £16.6m relating to capital were re-categorised into capital reserves in 2017/18.

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

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

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

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

The **Transformation** reserves provide the funding to facilitate 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.

	2017/18 £'000	2016/17 £'000
Balance brought forward 1 April	(68,918)	(63,554)
Capital receipts in year	(32,707)	(20,075)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	2,554	3,373
Disposal costs	0	660
Repayment of mortgage principal	0	(3)
Capital Receipts set aside – regulation 23 (a)	0	0
Financing of capital expenditure	34,492	10,681
Balance carried forward 31 March	**(64,579)**	**(68,918)**

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.

	2017/18 £'000	2016/17 £'000
Balance brought forward 1 April	(58,919)	(58,724)
Grants transferred to the account in year	(28,855)	(1,928)
Grants applied to capital expenditure	12,857	1,733
Balance carried forward 31 March	**(74,917)**	**(58,919)**

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.

	2017/18 £'000	2016/17 £'000
Balance brought forward	**(75)**	**0**
Decent Homes Funding	0	0
Additional transfer to the Major Repairs Reserve	0	0
Debits to the MRR in respect of capital expenditure	30,033	27,882
Transfer from HRA equal to depreciation	(29,707)	(27,957)
Total	**251**	**(75)**

30. Unusable Reserves

Unusable Reserve	Opening Balance 1 April 2017 £000	Other Comprehensive Income and Expenditure (CIES) £000	Adjustments between Accounting and Funding Basis 2017/18: Adjustments to Revenue Resources £000	Transfers Between Revenue and Capital Resources £000	Adjustments to Capital Resources £000	Other Movements* £000	Closing Balance 31 March 2018 £000
Revaluation Reserve	**(976,505)**	(97,608)	0	0	0	29,845	**(1,044,268)**
Financial Instruments Adjustment Account	**1,584**	0	(334)	0	0	0	**1,250**
Pensions Reserve	**631,156**	(38,241)	16,167	0	0	0	**609,082**
Collection Fund Adjustment Account	**(16,812)**	0	(6,123)	0	0	0	**(22,935)**
Accumulated Absences Account	**4,363**	0	(267)	0	0	0	**4,096**
Capital Adjustment Account	**(1,971,690)**	0	170,342	(22,724)	(81,940)	(29,845)	**(1,935,857)**
Deferred Capital Receipts	**(20,632)**	0	0	20,238	1	0	**(393)**
Redress Capitalisation Directive Reserve	**0**	0	0	0	97,967	0	**97,967**
Total	**(2,348,536)**	**(135,849)**	**179,785**	**(2,486)**	**16,028**	**0**	**(2,291,058)**

Unusable Reserve	Opening Balance 1 April 2016 £000	Other Comprehensive Income and Expenditure (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)**

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 2018 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

	2017/18 £'000	2016/17 £'000
Purchase of property, plant and equipment, investment property and intangible assets	183,467	207,797
Purchase of short-term and long-term investments	74,000	118,000
Proceeds from the sale of property, plant and equipment and intangible assets	(12,469)	(20,075)
Proceeds from short-term and long-term investments	(123,000)	(210,000)
Other receipts from investing activities	(39,820)	(45,774)
Net cash flows from investing activities	**82,178**	**49,948**

32. Financing Activities

	2017/18 £'000	2016/17 £'000
Cash receipts of short and long-term borrowing	4,648	(4)
Council Tax and NNDR adjustments	(19,797)	(7,378)
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	4,588	4,397
Repayments of short- and long-term borrowing	0	0
Net cash flows from financing activities	**(10,561)**	**(2,985)**

33. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2017/18 £'000	2016/17 £'000
Interest received	(1,153)	(1,883)
Interest paid	31,637	32,777

34. Cash and Cash Equivalents

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

	31 March 2018 £'000	31 March 2017 £'000
Cash held by the Authority	55	53
Bank current accounts in current assets	16,198	25,317
Short-term deposits with banks	110	2,610
Held within Current Assets	**16,363**	**27,980**
Bank overdrafts (Held within current liabilities)	0	0
Total Cash and Cash Equivalents	**16,363**	**27,980**

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	2017/18 £'000	2017/18 £'000	2016/17 £'000	2016/17 £'000
Income					
Dwelling rents		(138,990)		(137,283)	
Non dwelling rents		(482)		(4,165)	
Charges for services and facilities		(38,050)		(34,790)	
Contributions Towards Expenditure		(487)		(724)	
PFI Credit		(7,733)		(7,729)	
			(185,741)		**(184,691)**
Expenditure					
Repairs and maintenance*		24,310		27,589	
Supervision and management*		81,285		72,545	
Rents, rates, taxes and other charges		7,814		8,235	
Depreciation of property, plant and equipment	41	29,707		27,957	
Impairment / Revaluation loss	41	6,536		20,076	
Increase in Bad Debt Provision		728		1,209	
			150,380		**157,611**
Net cost of HRA services included in the Comprehensive Income and Expenditure Statement			**(35,361)**		**(27,080)**
HRA share of Corporate and Democratic Core			670		689
Net Expenditure of HRA Services			**(34,691)**		**(26,391)**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement					
Interest payable and similar charges – other			25,823		26,397
Gain or Loss on disposal			(8,646)		(10,734)
Interest and investment income			(52)		(509)
Capital Grants and Contributions - other			(8,690)		(790)
(Surplus)/Deficit for the year on HRA services			**(26,256)**		**(12,027)**

STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2017/18 £'000	2017/18 £'000	2016/17 £'000	2016/17 £'000
Balance on the HRA at the end of the previous year		**(10,746)**		**(10,746)**
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(26,256)		(12,027)	
Adjustments Between Accountancy Basis and Funding Basis under Statute	27,047		8,807	
Net (Increase) or Decrease before Transfers to or from Reserves		791		(3,220)
Transfers to or (from) Reserves (see Note 30c)		(795)		3,220
(Increase) or Decrease in year on the HRA		**(4)**		**0**
Balance on the HRA at the end of the current year		**(10,750)**		**(10,746)**

* Expenditure in the HRA has been remapped following a review in year, particularly between Repairs and Maintenance and Supervision and management.

NOTES TO THE HOUSING REVENUE ACCOUNT

35. Analysis of the movement on the HRA balance:

	2017/18 £'000	2016/17 £'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	(6,536)	(20,076)
Capital Grants and Contributions	8,691	0
S106 Reversal	0	790
Depreciation of non-current assets	(29,707)	(27,957)
Carrying amount of non-current assets disposed of	(3,598)	(27,098)
Mitigation of accumulated absences provision	27	(6)
Net charges made for retirement benefits in accordance with IAS 19	(6,784)	(4,412)
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	16,115	13,948
Minimum Revenue Provision	566	0
Transfer to Major Repairs Reserve	29,707	27,957
Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets	12,242	37,833
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	6,090	7,594
Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves	**27,047**	**8,807**

36. Housing stock

	31 March 2017	Movement	31 March 2018
Flats	19,860	48	19,908
Houses	3,917	3	3,920
Multi-occupied	181	0	181
Shared ownership	0	0	0
Total	**23,958**	**51**	**24,009**
Right to buy sales		-40	
Buybacks		24	
New creations		67	
Total movement		**51**	

37. HRA assets

	31 March 18 £'000	31 March 17 £'000
Council dwellings	2,315,583	2,227,514
Other Land & Buildings	106,832	120,048
Community Assets	177	177
Surplus	5,158	16,101
Assets held for sale	33	0
Vehicles, Plant & Equipment	24,973	18,023
Assets under Construction	13,195	10,182
Intangibles	151	227
TOTAL	**2,466,102**	**2,392,272**

38. Capital expenditure, financing and receipts

	2017/18 £'000	2016/17 £'000
HRA capital expenditure		
Works to dwellings	67,791	98,914
Other Land & Buildings	2,173	6
Vehicles, Plant & Equipment	9,061	15,459
Intangible Assets	0	0
Assets Under Construction	0	5,424
Revenue funded from capital under statute	871	775
	79,896	**120,578**
Financing of capital expenditure		
Borrowing	25,885	66,240
Usable Capital Receipts	16,115	11,718
Major Repairs Reserve less Decent Homes	30,034	27,882
Grants (including Decent Homes)	0	0
S106	0	790
Reserves / Revenue	7,862	13,948
Total	**79,896**	**120,578**

39. Depreciation and impairment

	2017/18 £'000	2016/17 £'000
Depreciation charged for the year		
Operational assets		
- dwellings	26,168	25,312
- other property	3,468	2,319
Non-operational assets		
- dwellings	54	309
- other property	17	17
Total Depreciation	**29,707**	**27,957**
Impairments and revaluation losses charged for the year		
Operational assets		
- dwellings	9,406	21,232
- other property	268	228
Non-operational assets		
- dwellings	189	0
- other property	45	0
	9,908	**21,460**
Impairment losses reversed		
Operational assets		
- dwellings	(5,904)	(1,384)
- other property	(404)	0
Non-operational assets		
- dwellings	0	0
	(6,308)	**(1,384)**
Net Impairment	**3,600**	**20,076**

40. Rent arrears

	2017/18 £'000	2016/17 £'000
Arrears as at 31 March	8,921	11,928
Provision for bad debts	(6,476)	(7,101)
Collectable amount	**2,445**	**4,827**

41. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31st December 2017 was £9.105 billion (£8.920 billion at 31 March 2017) which has been reduced to £2.272 billion (£2.230 at 31 March 2017) 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. The value of dwellings increased by a further £44 million (1.8%) between the valuation date and 31st March 2018 to £2.316 billion, the bulk of this increase can be attributed to capital expenditure. The Vacant Possession value remains materially correct.

42. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £6.78m (charge of £4.45m in 2016/17), 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.

		2017/18			2016/17	
COLLECTION FUND	**NNDR**	**Council Tax**	**Total**	NNDR	Council Tax	Total
	£000	**£000**	**£000**	£000	£000	£000
INCOME						
Council Tax Receivable	0	(138,458)	**(138,458)**	0	(136,150)	**(136,150)**
Business Rates Receivable	(134,916)	0	**(134,916)**	(124,047)	0	**(124,047)**
Business Rates Supplement	(4,343)	0	**(4,343)**	(3,810)	0	**(3,810)**
	(139,259)	**(138,458)**	**(277,717)**	**(127,857)**	**(136,150)**	**(264,007)**
EXPENDITURE						
LB Lambeth	48,631	106,644	**155,275**	36,944	98,910	**135,854**
Central Government	54,581	0	**54,581**	61,574	0	**61,574**
Greater London Assembly (GLA)	61,197	28,983	**90,180**	24,629	27,818	**52,447**
Business Rates Supplement						
Payment to GLA	4,343	0	**4,343**	3,810	0	**3,810**
Charges to Collection Fund						
Write-offs of uncollectable amounts	(633)	2,234	**1,601**	(1,186)	4,300	**3,114**
Increase/(Decrease) in Bad Debt Provisions	1,724	(291)	**1,433**	1,813	(354)	**1,459**
Increase/(Decrease) in Provision for Appeals	(11,071)	0	**(11,071)**	0	0	**0**
Transitional Protection Payments	(19,044)	0	**(19,044)**	(2,020)	0	**(2,020)**
Cost of Collection	508	0	**508**	487	0	**487**
	140,236	**137,570**	**277,806**	**126,051**	**130,674**	**256,725**
(Surplus) / Deficit during year	**977**	**(888)**	**89**	**(1,806)**	**(5,476)**	**(7,282)**
Collection Fund (Surplus)/Deficit at 1 April	**(1,060)**	**(20,615)**	**(21,675)**	**14,677**	**(21,864)**	**(7,187)**
Fund balance distributed in year	(35,187)	5,481	**(29,706)**	(13,931)	6,725	**(7,206)**
(Surplus) / Deficit during year	977	(888)	**89**	(1,806)	(5,476)	**(7,282)**
Collection Fund (Surplus)/Deficit at 31 March	**(35,270)**	**(16,022)**	**(51,292)**	**(1,060)**	**(20,615)**	**(21,675)**
Analysis of Fund balance distributed in year:						
LB Lambeth	(10,556)	4,310	**(6,246)**	(4,179)	5,249	**1,070**
Central Government	(17,593)	0	**(17,593)**	(6,966)	0	**(6,966)**
GLA	(7,038)	1,171	**(5,867)**	(2,786)	1,476	**(1,310)**
	(35,187)	**5,481**	**(29,706)**	**(13,931)**	**6,725**	**(7,206)**

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**	**33%**	**78.63%**	**30%**	**21.37%**	**37%**
Arrears	**31,563**	**4,542**	**N/A**	**1,499**	**24,818**	**1,363**	**6,745**	**1,681**
Bad Debt Provision	**(18,553)**	**(3,763)**	**N/A**	**(1,242)**	**(14,588)**	**(1,129)**	**(3,965)**	**(1,392)**
Appeals Provision	**N/A**	**(10,641)**	**N/A**	**(3,512)**	**N/A**	**(3,192)**	**N/A**	**(3,937)**
Overpayments & Pre-payments	**(5,621)**	**(11,372)**	**N/A**	**(3,753)**	**(4,420)**	**(3,412)**	**(1,201)**	**(4,208)**
(Surplus)/Deficit	**(16,021)**	**(35,270)**	**N/A**	**(11,639)**	**(12,598)**	**(10,581)**	**(3,424)**	**(13,050)**

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 2018, the band D Council Tax was set at £1,310.34 based upon a tax base of 103,505 (for 2016/17, £1,257.35 based upon a tax base of 100,789) and includes the £280.02 requirement of the Greater London Authority (£276.00 in 2016/17). The table below shows the calculation of the Council Tax Base for 2017/18.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,654	2,997	6/9	1,998
B	31,460	20,447	7/9	15,903
C	40,023	30,963	8/9	27,523
D	30,781	25,067	9/9	25,067
E	14,532	12,461	11/9	15,231
F	8,974	8,139	13/9	11,756
G	5,164	4,961	15/9	8,268
H	783	756	18/9	1,513
TOTALS	136,371	105,791		107,259
Adjustment for collection rate				(3,754)
Tax base for Council Tax purposes				**103,505**

44. National Non-Domestic Rates are set by Parliament, which specifies an amount, 47.9p in 2017/18 (49.7p in 2016/17) as the standard multiplier and 46.6p as the small business rate multiplier (48.4p in 2016/17). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2017/18 NNDR income is based upon a total rateable value for the borough of £414.0m as at 31 March 2018 (£312.5m at 31 March 2017).

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 (37%) and Central Government (33%).

In 2017/18, the payment is based upon the 2017/18 estimated collection and 2016/17 surplus/deficit. However, as the 2017/18 NNDR1 is returned before the end of 2016/17, in 2018/19 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		2017/18 £000	2016/17 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(46,681)	(56,513)
Transfers in from other pension funds	8	(2,264)	(2,769)
		(48,945)	**(59,282)**
Benefits	9	51,446	55,794
Payments to and on account of leavers	10	5,575	4,316
		57,021	**60,110**
Net (additions)/withdrawals from dealing with members.		**8,076**	**828**
Management expenses	11	2,285	3,285
Net additions/withdrawals including fund management expenses		**10,361**	**4,113**
Returns on investments:			
Investment Income	12	(42,917)	(31,935)
Tax on Income	13	143	253
Profit and loss on disposal of investments and changes in the market value of investments and currency	14a	799	(176,201)
Foreign Exchange gain		978	(1,069)
Net return on investments		**(40,997)**	**(208,951)**
Net increase in the net assets available for benefits during the year		**(30,636)**	**(204,838)**
Net Assets of the fund at 1 April		(1,346,755)	(1,141,917)
Net Assets of the fund at 31 March		**(1,377,391)**	**(1,346,755)**

NET ASSET STATEMENT	Notes	2017/18 £000	2016/17 £000
Investment Assets	14	1,355,799	1,334,976
Cash Deposits	14	0	5,103
Total Investment Assets		**1,355,799**	**1,340,079**
Current Assets	20	21,713	9,399
Current Liabilities	21	(121)	(2,723)
Net assets of the fund available to fund benefits at the period end.		**1,377,391**	**1,346,755**

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 2017/18 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 18	31 Mar 17
Number of employers with active members	24	21
Number of employees in scheme		
Lambeth council	4,927	5,235
Other employers	459	351
Total	**5,386**	**5,586**
Number of pensioners		
Lambeth council	7,187	7,028
Other employers	48	43
Total	**7,235**	**7,071**
Deferred pensioners		
Lambeth council	8,101	8,147
Other employers	156	138
Total	**8,257**	**8,285**
Total number of members in pension scheme	**20,878**	**20,942**

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 2018. 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 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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 2017/18, £0.1m of fees is based on such estimates (2016/17: £0.1m).

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 22)

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 2018 was £52.9m (31 March 2017: £57.2m).

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 2018 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 £188m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £22m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £58.7m to £97.8m.
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 2018 is £52.9m.	The total (called) private equity investment in the financial statements is £52.9m. 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 £3.6m. 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 +/- £0.2m.

Note 6: Events after the Reporting Date

There have been no events since 31 March 2018, up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 7: Contributions Receivable

Category	2017/18 £000	2016/17 £000
Members	**8,879**	**8,757**
Employer:		
Normal contribution	25,802	26,368
Deficit recovery contribution	12,000	21,388
Total employer's contribution	**37,802**	**47,756**
Total	**46,681**	**56,513**

Authority	2017/18 £000	2016/17 £000
Administering authority	42,804	52,686
Scheduled bodies	3,486	1,892
Admitted bodies	211	304
Community admission body	71	1,476
Transferee admission body	109	155
Total	**46,681**	**56,513**

Note 8: Transfers in from Other Pension Funds

	2017/18 £'000	2016/17 £'000
Individual transfer	2,264	2,769
Total	**2,264**	**2,769**

Note 9: Benefits Payable

Category	2017/18 £'000	2016/17 £'000
Pensions	44,996	44,211
Commutation and lump sum retirement benefits	5,734	10,540
Lump sum death benefits	716	1,043
Total	**51,446**	**55,794**

Authority	2017/18 £000	2016/17 £000
Administering authority	51,103	55,466
Scheduled bodies	153	34
Admitted bodies	56	169
Community admission body	134	125
Total	**51,446**	**55,794**

Note 10: Payments to and on Account of Leavers

	2017/18 £000	2016/17 £000
Refund to members leaving service	108	140
Individual transfers	5,467	4,176
Total	**5,575**	**4,316**

Note 11: Management Expenses

	2017/18 £000	2016/17 £000
Administrative costs	1,201	1,341
Investment management expenses	1,084	1,945
Total	**2,285**	**3,286**

Note 11a: Investment Management Expenses

	2017/18 £000	2016/17 £000
Management fees	1,072	1,784
Custody fees	12	42
Transaction costs	0	119
Total	**1,084**	**1,945**

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 £6.1m (2016/17 £6.8m) of which only £0.97m 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

	2017/18 £000	2016/17 £000
Fixed interest securities	9,809	11,352
Equity dividends	1,236	5,281
Private equity income	10,882	9,211
Pooled property investments	4,157	4,101
Pooled investments - unit trust and other managed funds	15,850	1,279
Interest on cash deposits	2	20
Other	980	691
Total	**42,917**	**31,935**

Note 13a: Taxes on Income

	2017/18 £000	2016/17 £000
Tax – equities	143	53
Withholding tax – pooled	0	200
Total	**143**	**253**

Note 13b: External Audit Costs

	2017/18 £000	2016/17 £000
Payable in respect of external audit	21	21
Total	**21**	**21**

Note 14: Investments

	2017/18 £000	2016/17 £000
Fixed interest securities	361,749	356,898
Equities	76,525	160,335
Pooled investments	732,983	632,605
Pooled property investments	131,456	126,868
Private equity	52,936	57,595
London CIV	150	150
Cash deposits	0	5,103
Investment income due	0	525
Total	**1,355,799**	**1,340,079**

Note 14a: Reconciliation of Movements in Investments

	Market value 1 April 2017	Purchases during the year	Transfers IN	Sales during the year	Transfers OUT	Movement in cash during the year	Change in market value	Market value 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	356,866	9,806	0	(6)	0	0	(4,953)	361,714
Equities	160,361	1,236	0	(166,693)	0	0	81,621	76,525
Pooled investments	632,605	16,447	277,000	(121,216)	0	0	(71,853)	732,984
Pooled property investments	126,868	0	0	(1,259)	0	0	5,847	131,456
Private equity	57,595	6,795	0	0	0	0	(11,454)	52,936
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	5,103	2,088	0	(5,003)	0	(2,189)	0	0
Investment Manager Cash balance	6	0	0	0	0	35	(6)	35
Investment income due	525	0	0	0	0	(525)	0	0
Total	**1,340,079**	**36,373**	**277,000**	**(294,176)**	**0**	**(2,679)**	**(799)**	**1,355,799**

	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	Market value 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	**£000**
Fixed interest securities	326,658	116,274	0	(104,957)	0	0	18,891	356,866
Equities	151,084	110,035	0	(134,662)	0	0	33,904	160,361
Pooled investments	495,734	1,279	238,655	(50,000)	(158,774)	0	105,711	632,605
Pooled property investments	113,285	0	0	(467)	0	0	14,050	126,868
Private equity	47,067	6,883	0	0	0	0	3,645	57,595
London CIV	150	0	0	0	0	0	0	150
Cash Deposits	10,072	0	0	0	0	(4,969)	0	5,103
Cash balance	0	0	0	0	0	6	0	6
Investment income due	678	0	0	0	0	(153)	0	525
Total	**1,144,728**	**234,471**	**238,655**	**(290,086)**	**(158,774)**	**(5,116)**	**176,201**	**1,340,079**

Note 14b: Analysis of Investments

	31 March 2018 £'000	31 March 2017 £'000
Fixed interest securities		
UK		
Corporate quoted	361,749	356,898
Equities		
UK		
Quoted	76,525	135,511
Cash investment	0	7,680
Overseas		
Quoted	0	17,144
Pooled funds - additional analysis		
Overseas		
Unit trusts	729,406	562,487
Hedge fund of funds	3,577	70,118
Pooled property investments	131,456	126,868
Private equity	52,936	57,595
London CIV	150	150
Cash deposits	0	5,103
Investment income due	0	525
Total investment assets	**1,355,799**	**1,340,079**

Note 14c: Investments Analysed by Fund Manager

	Market value 31 March 2018		Market value 31 March 2017	
	£000	%	£000	%
Adam Street	52,936	3.9	57,595	4.3
Aviva	80,044	5.9	80,532	6.0
Baillie Gifford	0	0.0	0	-
Invesco	131,172	9.7	125,357	9.3
Insight	361,749	26.7	356,898	26.6
London CIV	150	0.0	150	0.0
London CIV (BG Global Equity)	242,139	17.9	214,106	16.0
Majedie	0	0.0	160,860	12.0
London CIV (Majedie)	76,525	5.6	0	0.0
LONDON CIV-Henderson	75,664	5.5	0	0.0
LONDON CIV-PyrFord	54,362	4.0	0	0.0
LONDON CIV-Ruffer	60,922	4.5	0	0.0
MFS	216,276	16.0	214,015	16.0
PAAMCO	3,577	0.3	70,118	5.2
RREEF	285	0.0	1,511	0.1
Standard Life	0	0.0	53,834	4.0
State Street	0	0.0	5,104	0.4
Total	**1,355,799**	**100**	**1,340,079**	**100**

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	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,

		Closing single price where single price published		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 2018.

	Valuation range (+/-)	Value at 31 Mar-18	Value on increase £000	Value on decrease £000
Pooled investments – hedge funds	6.5%	3,577	3,810	3,343
Private equity	24.8%	52,936	66,064	39,808
Total		**56,513**	**69,874**	**43,152**

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 2018	Quoted Market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial Assets at fair value through profit and loss	1,189,543	131,456	56,513	1,377,512
Financial Liabilities at Fair value through profit and loss	(121)	0	0	(121)
Net investment assets	**1,189,422**	**131,456**	**56,513**	**1,377,391**

Values at 31 March 2017	Level 1	Level 2	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)	0	0	(2,723)
Net investment assets	**1,092,174**	**126,868**	**127,713**	**1,346,755**

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

Period 2017/18	Market value 01 Apr 2017	Transfer into level 3	Transfer out of level 3	Purchases	Sales	Unrealised gain (loss)	Realised gain (loss)	Market Value 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Hedge fund of Funds	70,118	0	0	0	0	(66,541)	0	3,577
Private equity	57,595	0	0	6,795	0	(11,454)	0	52,936
	127,713	**0**	**0**	**6,795**	**0**	**(77,995)**	**0**	**56,513**

Note 16: Financial Instruments

Note 16a: Classification of Financial Instruments

	2017/18			2016/17		
	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000	Fair value through profit & loss £000	Loans & receivables £000	Financial liabilities at amortised cost £000
Financial Assets						
Fixed interest securities	361,749	0	0	356,898	0	0
Equities	76,525	0	0	160,335	0	0
Pooled investments	732,983	0	0	632,605	0	0
Pooled property investments	131,456	0	0	126,868	0	0
Private equity	52,936	0	0	57,595	0	0
London CIV	150	0	0	150	0	0
Cash instruments	0	0	0	5,103	0	0
Investment income due	0	0	0	525	0	0
Debtors	0	363	0	0	9,399	0
Cash and Cash Equivalents	0	21,349	0	0	0	0
Financial Liabilities	0	0	0	0	0	0
Creditors	0	0	(121)	0	0	(2,723)
Total	**1,355,799**	**21,712**	**(121)**	**1,340,079**	**9,399**	**(2,723)**

Note 16b: Net Gains and Losses on Financial Instruments

	31-Mar-18 £000	31-Mar-17 £'000
Financial Assets		
Fair Value through profit and loss	1,357,988	1,340,079
Loans and receivables	19,524	9,399
Financial Liabilities		
Fair Value through profit and loss		
Loans and receivables	(121)	(2,723)
Total	**1,377,391**	**1,346,755**

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 2017/18 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	7.2%
Bonds- LDI	19.2%
Emerging Markets	26.5%
UK equities	15.9%
Global Equities	17.9%
Pooled property investments	14.1%
Other pooled investments	10.2%
Private Equity	24.8%
Hedge Funds	6.5%
Cash – GBP	0%

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 18	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
UK Equities	76,525	12,183	88,708	64,342
Global Equities	458,414	82,193	540,607	376,221
Emerging Markets	75,664	20,066	95,730	55,598
Diversified Growth	195,328	19,884	215,212	175,444
Hedge Funds	3,577	233	3,810	3,343
Private Equity	52,936	13,128	66,064	39,808
Corporate Bonds	309,299	22,146	331,445	287,153
Bonds- LDI	52,450	10,060	62,509	42,390
Property	131,456	18,509	149,965	112,947
London CIV	150	0	150	150
Investment income due	0	0	0	0
Total	**1,355,799**	**198,402**	**1,554,200**	**1,157,396**

Asset type	Value as at 31 Mar 17	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£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**

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 2018 and 31 March 2017 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 2018	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	21,349	0	21,349	21,349
Fixed interest securities	361,749	3,617	365,366	358,130
Total	**383,097**	**3,617**	**386,714**	**379,479**

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	0	13,588	13,588
Cash balances	844	0	844	844
Fixed interest securities	356,898	3,569	360,467	353,329
Total	**371,330**	**3,569**	**374,899**	**367,761**

Income exposed to interest rate risk	Amount Receivable as at 31 March 2018	Potential market movement on 1% in interest rates	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	2	0	2	2
Fixed interest securities	9,809	98	9,907	9,711
Total	**9,811**	**98**	**9,910**	**9,713**

Income exposed to interest rate risk	Amount Receivable as at 31 March 2017	Potential market movement on 1% in interest	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	20	0	20	20
Fixed interest securities	11,352	114	11,466	11,238
Total	**11,372**	**114**	**11,486**	**11,258**

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 18	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	52,936	5,294	58,230	47,643
Overseas unit trusts	131,168	13,117	144,285	118,051
Total	**184,104**	**18,411**	**202,515**	**165,694**

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**

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 2018 was £21.3m (31 March 2017: £21.3m). This was held with the following institutions.

	Rating	31 March 18	31 March 17
		£000	£000
Money Market Funds			
State Street- Liquidity Fund	AAA	2,189	5,103
Majedie Asset Management		6,591	7,680
Bank deposits and current account			
Royal Bank of Scotland	BBB+	12,560	8,484
Total		**21,340**	**21,267**

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 2018 the value of liquid assets was £1,189.4m, which represented 95.4% of the total fund assets (31 March 2017: £1,094.7m, which represented 89.6% 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 2018 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 £287m (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 2013 Model, allowing for a long-term rate of improvement of 1.25% pa. Assumed life expectancy from age 65 is as follows.

	31 March 2018	31 March 2017
Retiring today		
Males	21.6	21.6
Females	23.9	23.9
Retiring in 20 years		
Males	23.8	23.8
Females	26.0	26.0

Commutation assumption

It is assumed that future retirees will take 25% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 62.5% 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 2018 was £1,955m (31 March 2017: £1,940m). The net assets available to pay benefits as at 31 March 2018 was £1,348m (31 March 2017: £1,165m). The implied fund deficit as at 31 March 2018 was therefore £607m (31 March 2017: £775m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2016 triennial funding valuation (see Note 18) because IAS 19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used	2017/18 %	2016/17 %2016
Inflation/pension increase rate	2.4	2.4
Salary increase rate	2.8	2.8
Discount rate	2.7	2.6

Note 20: Current Assets

	31 March 2018	31 March 2017
Sundry debtors	363	69
Cash balances	21,349	9,329
Total	**21,713**	**9,399**

Note 21: Current Liabilities

	31 March 2018	31 March 2017
Outstanding settlement	0	0
Sundry creditors	121	2,273
Total	**121**	**2,273**

Note 22: Additional Voluntary Contributions

	31 March 2018	31 March 2017
Prudential	1,970	1,741
Equitable Life	493	488
Clerical Medical	160	139
Total	**2,624**	**2,368**

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 £0.87m (2016/17: £1.2m) 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 £34.0m to the fund in 2017/18 (2016/17: £43.6m). The amount payable to the council as at 31 March 2018 is shown as a current liability.

Governance

There are no elected members of the Pension Committee in receipt of pension benefits from the Lambeth Pension Fund but 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 2018 are £93.9m and the outstanding capital commitments (investments) are £18.1m (31 March 2017: total commitment £106.2m and outstanding was £25.9m).

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

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

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

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

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

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