



# Lambeth

**2015/2016**

## **Statement of Accounts (Audited)**



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The Council's Statement of Accounts for the year 2015/16 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 2015/16. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

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The Council wholly owned an arm's length management organisation (Lambeth Living Ltd) as at 31 March 2015, which managed its housing stock. This service was brought back in-house as of 26 June 2015, and its financial position has been incorporated within the Housing Revenue Account, and the consolidated Balance Sheet as at 31 March 2016

# THE NARRATIVE REPORT BY THE CHIEF FINANCE OFFICER

## Introduction

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

With the Government's ongoing austerity agenda, over recent years there have been unprecedented reductions in the Government funding coming to local authorities, and inner London has been hit particularly hard by this. 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, and replaced by business rates

The Council's February Budget report published on 8 February 2016 identified the need for reductions of £96m over the four year planning period to 2019/20 and presented a series of proposals totalling £40m to balance the budget in 2016/17. Following the final local government finance settlement the council's medium term financial strategy has not been changed and still requires a further £55m 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 Brexit referendum result will have an impact on financial planning for the Council for a number of years, but at this stage it is impossible to quantify with even indicative numbers.

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 2016/17 budgetary reductions poses a significant challenge and will be supported by a procurement policy focused on delivering cost savings and a rigorous challenge on value for money. The governance arrangements through the Strategic Transformation Board introduced last year will continue to ensure that there is corporate oversight of the delivery of savings proposals and a balanced budget during 2016/17.

Despite the difficult budget challenge the financial position of the council remains sound. The General Fund outturn for 2015/16 was £289.7m against a budget of £290.9m, which included savings of £35.4m, supported by a contribution from earmarked reserves and the appropriate use of contingency. The Housing Revenue Account (HRA) managed a small underspend of £0.1m and was able to contribute £0.6m to balances as planned at the same time as the service was itself brought back in-house.

The Council's ambitious capital investment programme saw £156m invested in our schools, council homes, highways, parks and open spaces.

## Significant Finance Developments

### Broader Funding Context

To flesh out the complexity of funding risks that have arisen in recent years, here is an update on some specific themes that will have to be followed closely, and expenditure plans are being drawn up accordingly (in the medium term financial strategy):

**Settlement Funding Assessment:** from 2015/16 to 2016/17 the pot of SFA, which combines the old Revenue Support Grant (RSG), and new allocations for business rates and transitional reliefs has fallen some £15.6m, and as mentioned before, the RSG element looks set to entirely disappear by 2020.

**New Homes Bonus:** proposed change from the Government could mean the loss of £11m to Lambeth's funding over the next three years. Confirmation of new arrangements isn't expected until late autumn.

**Public Health:** the current Public Health allocation for Lambeth for 2016/17 has been confirmed at £33.1m, (including transfers from the Clinical Commissioning Group), after accounting for government grant reductions of £2.7m relating to 2015/16 and 2016/17. It is expected to be reduced further to £30.6m by 2019/20. Of the total public health grant, a significant sum is spent on mainstream NHS services. These are open access, demand-led services so the council has the challenge of achieving more competitive prices and services from providers who are managing their own funding challenges.

**Better Care Fund:** the Better Care Fund is currently a £3.8bn nationally prescribed amount which local authorities and Clinical Commissioning Groups have to pool resources for. In Lambeth the Better Care Fund is £23.5m in 2016/17. The creation of the pool was not accompanied by any increase in resources to either the Council or the CCG, and therefore the fund is made up mainly of historic expenditure areas that have been brought together because of the synergies that exist between the council and the CCG outcomes that are expected to be achieved. The Spending Review 2015, announced that the Government would be making increased funding available to Councils of £1.5bn by 2019/20 and which would indicate a figure of around £9m for Lambeth if existing methods of calculating the level of the fund were used for the increase. The amount of funding is to increase relatively slowly from 2017/18. This announcement was coupled with intentions for health and social care to be integrated by 2020 and for plans to be in place by 2017 although there appears to be a significant amount of flexibility on the organisational form that the integrations will take.

**Dedicated Schools Grant:** In August 2016, the Department for Education (DfE) launched a consultation on the introduction of a new national funding formula for the distribution of the Early Years block of the Dedicated Schools Grant (DSG). The proposals are in response to the introduction of the 30 hours free childcare for working parents which comes into force from September 2017. The DfE has released illustrative funding allocations for 2017/18 which indicate that the Council will see a £2m reduction in its allocation based on a 2016/17 baseline of £22.4m. This will be phased in over 2 years. The reduction represents a 10% fall in funding. In addition, there will be a cap on the level of funding retained by the Council to support frontline services and childcare improvement. Currently the retention is used to support both the Authority's Children's Centres and the Early Years Quality Improvement team. However the planned changes to the funding arrangements for mainstream education which were to have been implemented from April 2017, will now be delayed. It is expected that the DfE will follow up the initial consultation (March 2016) with more specific details on the level of grant allocations during spring 2017 with a likely implementation from April 2018.

**Welfare Reform:** the Council currently holds £30m debt relating to Housing Benefits Overpayments, growing at approximately £5m per year. While the Council is in operational control, it can impose effective repayment of overpayments (by reducing ongoing benefit payments made). However, introduction of Universal Credit means transferring the operation to the Department of Work and Pensions, in phases. The risk to the Council is whether it will be left with the debt when the service

transfers fully to the DWP, with little effective means of recovery. We are having ongoing discussions with the DWP to discuss how to address this.

**2017 Business Rate Revaluation:** the next business rates revaluation will come into effect on 1 April 2017. However, at a national level this is a revenue-neutral exercise for the Government, achieved by applying adjusted multipliers. So although it is anticipated that rateable values will rise in London, the likelihood is that there will be an increase in the level of appeals as a result and therefore a period of uncertainty until these are resolved. To provide context of the sums involved, Lambeth held provisions of £6.5m against appeals as at 31 March 2015, and had to top-up to £8.4m as at 31 March 2016.

**Business rates Retention Scheme:** the retention of 100% of business rates was originally scheduled to be implemented by 2020. In the 2016 Budget, the Chancellor announced that Greater London would be a pilot area, currently earmarked to start April 2017, although this timetable looks unlikely to be realised now. The details are still being worked out at the moment, with the Department for Communities and Local Government along with the Local Government Association having presence at working groups, where such items as appeals, reliefs, tax flexibilities and fair funding are all under discussion. Therefore at this stage there is not sufficient information to assess the impact of full devolution to Lambeth.

**Business Rates:** in the 2016 Budget, it was announced that small business rate relief would double and the Small Business Rate threshold on the rateable values of small businesses would be raised. Since the Council now retains some (growing) element of business rate income, there is potential risk that income overall will be affected when implemented with effect from 1 April 2017, depending on how the transitional grants are dealt with, and what happens locally to rateable values and collection rates. In summary, the Government is transferring the risk of fluctuations in this income stream to local government.

## Reserves

Reserves	Balance at 31/03/2014 £'000	Movement In Year £'000	Balance at 31/03/2015 £'000	Movement In Year £'000	Balance at 31/03/2016 £'000
General Fund Balance	(24,874)	1,259	(23,615)	1,179	(22,436)
GF Earmarked Reserves*	(67,329)	3,545	(63,784)	14,728	(49,056)
<b>General Fund Total</b>	<b>(92,203)</b>	<b>4,804</b>	<b>(87,399)</b>	<b>15,907</b>	<b>(71,492)</b>
HRA Balances	(7,843)	(2,194)	(10,037)	(709)	(10,746)
HRA Earmarked Reserves	(23,236)	(3,276)	(26,512)	(15,453)	(41,965)
<b>HRA Total</b>	<b>(31,079)</b>	<b>(5,470)</b>	<b>(36,549)</b>	<b>(16,162)</b>	<b>(52,711)</b>
<b>Council Total</b>	<b>(123,282)</b>	<b>(666)</b>	<b>(123,948)</b>	<b>(255)</b>	<b>(124,203)</b>

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

Overall, earmarked General Fund reserves have fallen quite sharply over the last two years, from £67.3m as at 31 March 2014, to £63.8 in 2015, and finally, with a larger fall to £49.1 in 2016. Taken together with the fall in GF balances from £24.9m to £22.4m over the same period, it presents a clear reflection of the pressures falling on the authority's finances, although redundancy costs of £7.5m represent an exceptional one-off item.

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

In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. It has therefore been possible to increase reserves from £23.2m as at 31 March 2014 to £42.0m in 2016, in readiness for investment in better quality housing, and to deal with potential risks.

## Capital Investment Programme - Growth and Funding

The Council has an ambitious Capital Investment Programme for the 4 financial years of the current political administration 2014/15 – 2017/18. This consists of those projects formally incorporated into the CIP of £656.4m together with planned investments totalling £42.5m held in the capital pipeline, bringing the total now planned to £699m, including £375.4m in relation to the HRA. The target for the current 3 year planning cycle, which goes one year beyond the life of this administration, is a CIP of £324.6m. This comprises the investment needed to maintain and enhance our existing estate together with investment in developing our asset base through transformational upgrades or new build/acquisition.

The Council has seen continued significant receipts from Community Infrastructure Levy and s106 development income with a further £6m invested in the borough over the last year. Together with external grant income, development income will need to be the council's main source of funding to meet capital investment needs as capital receipts from rationalisation of the council's existing asset base are now dwindling, the current forecast for non-Right-to-Buy disposal receipts for the next 3 years being £45.6m. Although the forecast for development income remains strong, if the development does not happen, this income will fall away.

The Council is undertaking a huge range of significant regeneration projects in areas right across the borough including Waterloo, Vauxhall and Nine Elms, Tulse Hill and West Norwood as well as Future Brixton (encompassing Your New Town Hall, Somerleyton Road and Brixton Central).

However, at the same time as capital is invested in the development of essential new infrastructure, capital funding is also being prioritised for the continued maintenance and enhancement of 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.

There is also now a renewed focus on using our assets as a corporate resource to support and enable the Council to deliver on the community outcomes. In particular, there is a focus on how to use assets to generate ongoing revenue where possible since this will give the council the greatest financial flexibility.

## 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	(74,427)	23%		
S106	(28,452)	9%		
Borrowing	(112,064)	35%		
MRR	(28,170)	9%		
S20 Receipts	(10,000)	3%		
Capital Receipts	(63,528)	20%		
Recycled RTB (1-4-1) Receipts	(2,902)	1%		
Capital Reserve	(148)	0%		
Earmarked Reserve / Revenue	(4,927)	2%		
<b>Total</b>	<b>(324,619)</b>	<b>100%</b>		



## **Borrowing**

The Council has not undertaken any new long-term borrowing from external sources, and the sum total still stands at £412.7m, which has remained constant for the last 4 financial years.

However, throughout this document there are references to “borrowing” for financing purposes, and this is where for 2015/16 the HRA has borrowed internally from the General Fund. This will continue into the future, and, as planned within the HRA 30-year Business Plan, further borrowing will be required to finance the CIP over the next three years and this will give rise to going to PWLB.

It should also be noted that the Council holds long-term creditors of £107.6m which relate to arrangements for service concessions (finance leases or PFI), most of which is paid for by PFI grants received from central government.

## **HRA Self-Financing**

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

## **Pension Fund Revaluation and Pension Liability**

The triennial valuation of the Pension Fund took place in 2013 (where funding levels improved marginally to 72.6%). Following this, we introduced a new approach which sets investment strategy at the same time as considering its funding strategy and contribution plan, basing all three on a sophisticated risk-based model to reduce and eliminate the deficit.

As a result of the approach, contribution rates and investment strategy were considered in tandem, balancing risk with the need for stability. The Council, as the largest employer in the Fund (99% of the total Fund), achieved more stability and a reduction in expenditure over a three-year period. The contribution rates came into effect on 01 April 2014 and will remain in place until the next valuation i.e. 31 March 2016, which will report back in the coming months with new rates effective from 1 April 2017.

Within the Fund, the net assets grew from £1.136bn to £1.142bn, despite the volatile market conditions in the UK and globally in the last quarter.

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 LPFA. This overall liability has fallen from £783m to £599m (adjusted for the incorporation of Lambeth Living pension liability of £16m); however, this is more the result of a change in the actuarial assumptions (to the benefit of £165m), rather than underlying performance of the Fund's investments. Please see Note 1, Note 26 and the Pension Fund accounts themselves for more details.

## Summary of Financial Performance in the Year

The General Fund was challenged to manage expenditure pressures in demand led services and throughout the year management reporting of overspend pressures stayed consistently high for services (at about £15-20m), which was mitigated by underspends on corporately held budgets, and drawing down reserves.

### 2015/16 Revenue Outturn – General Fund

The 2015/16 General Fund budget was £290.9m, down from £314.8m in the previous year. The overall outturn position was an underspend of £1.2m, but only after drawing down significant amounts of earmarked reserves (£14.4m in total – of which costs of redundancy represent £10.3m of exceptional costs).

Furthermore, below this top-level figure, it should be noted that there was an overspend in Services of £7.3m, which was offset by an underspend in corporate items of £8.5m. The outturn by department is as below, with amount of earmarked reserve drawdowns shown too so as to better gauge the underlying level of overspend:

	FY Budget	FY Actual	Actual FY Variance	Net drawdowns of reserves	Adjusted variance before use of reserves
	£'000	£'000	£'000	£'000	£'000
Children, Adults & Health	161,508	182,585	21,077	2,973	24,050
Neighbourhoods & Growth	53,597	48,920	(4,677)	2,965	(1,712)
Corporate Resources	69,055	58,968	(10,087)	2,533	(7,554)
NRPF	4,363	5,355	992	0	992
<b>Sub-total for services</b>	<b>288,523</b>	<b>295,828</b>	<b>7,305</b>	<b>8,471</b>	<b>15,776</b>
Corporate Items	2,363	(6,166)	(8,529)	5,942	(2,587)
<b>Total - General Fund</b>	<b>290,886</b>	<b>289,662</b>	<b>(1,224)</b>	<b>14,413</b>	<b>13,189</b>

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

- Children's Services - £19.0m It was anticipated that the Children's Social Care service would have pressures in year because of the result of the Ofsted inspection which resulted in an "inadequate" finding. As a result the planned savings on staffing restructure and placements cost reductions to deliver £3.6m was delayed. The additional spending represented increased activity and increased costs in looked after children and foster care placements.
- Adult Social Care - £2.7m Pressures across older people and adult disability services contributed to the overspend.
- Public Health - £1.1m This represents the in year reduction of the Public Health Grant which will have to be managed in 2016/17 by negotiating with providers and recommissioning services within a lower funding envelope.
- Temporary Accommodation - £3.8m The number of households presenting as homeless increased during the year and the costs of placing in overnight accommodation meant that the forecast out turn had been higher earlier in the year. The successful Temp2settle scheme saw the numbers of households in temporary accommodation reduce down by the year end as well as a reduction in the price of overnight accommodation.

In the 2016/17 budget for the Council the additional risks have been recognised to some large extent by increasing budgets to Children's Services and Temporary Accommodation by £6.7m and £5.3m respectively.



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

- Environmental Services - £2.3m
- Parking - £3.6m
- Business and Customer Services - £4.6m
- Corporate Affairs - £1m
- Finance - £2.8m
- Policy and Communications - £1.1m

The underspending service budgets did not fully offset the overspending ones; this was despite an end of year review of all bad debt provisions which resulted in one-off benefits that saw a reduction in the contributions made from the general fund to the provision or a one-off draw down to compensate for over provision in the past.

### **2015/16 Revenue Outturn – Housing Revenue Account**

The Housing Revenue Account gave a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £10.7m together with total earmarked reserves of £42.0m, up from £26.5m – 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.

### **2015/16 Capital Outturn**

The Authority originally planned to invest £241.5m capital in the financial year 2015/16, but this was revised downwards in November 2015 to £216.2m.

The total capital spend at the end of 2015/16 was £156m against the revised budget of £216.2m, which represents 72% of planned delivery. The unspent funds have been rolled forward to fund revised expenditure projections for future years.

Key outcomes achieved through this investment included:

- This financial year 5,556 properties in the Authority received work within the Decent Homes programme of which 2,159 were brought up to that standard.
- Resurfacing of 114 streets (48 footways and 66 carriageways) covering 34 miles in total (£9m);
- Streetscape works including Brixton Market Masterplan, 20mph Limit, Vauxhall Walk and Cycling Measures (£2.7m).
- Parks Refurbishment & Improvement Works including Brockwell Park, Vauxhall Pleasure Gardens, Slade Gardens and major investment in three cemeteries (£3.6m)
- Progress in expansion and enhancement of 7 Primary Schools partly funded by the Targeted Basic Needs Grant (£17.9m);
- This year saw the completion of a number of school projects including: the remodelling of the Michael Tippet main building and Wier Rd Annex; the extension of Elmwood Primary School, Turney Special Education Needs facility, Larkhall SEN, Clapham Manor external works and capital maintenance programme that carried out essential maintenance on 11 schools, ranging from roof repairs to Fire door replacement.
- The Authority also successfully achieved planning approvals for St John's Primary School, Woodmansterne Primary School and Paxton Primary School. All three schools are currently in delivery and will be completed in 2016. External fees were also agreed with the National Children's Bureau for the team to deliver the LEAP initiative capital programme. This is 11 projects, mainly in Children's Centres and One o'clock Clubs that will enhance the buildings enabling LEAP to deliver support to mums to be and young children and parents.

The details of Capital Expenditure in 2015/16 by Community Outcome are shown below, along with variances against budget.

Community Outcome	Total CIP £000s	2015_16 Original Budget £000s	2015_16 Revised Budget £000s	CIP Outturn 2015/16 £000s	Outturn Variance to Original Budget £000s	Outturn Variance to Revised Budget £000s
<b>Vulnerable Children and Adults get the Support and Protection</b>	<b>17,084</b>	<b>10,401</b>	<b>6,449</b>	<b>4,369</b>	<b>(6,032)</b>	<b>(2,080)</b>
Expansion and Enhancement of Special Educational Needs Facilities	11,375	8,560	5,360	3,623	(4,937)	(1,737)
Improvement of Social Care Provision	5,709	1,841	1,089	746	(1,095)	(343)
<b>Older, disabled and Vulnerable People can live independent lives and have control over their lives</b>	<b>21,133</b>	<b>14,091</b>	<b>20,563</b>	<b>12,662</b>	<b>(1,429)</b>	<b>(7,901)</b>
Home Improvements for Vulnerable Residents	2,750	1,056	2,180	1,607	551	(573)
Home Improvements for Vulnerable Residents (HRA)	18,383	13,035	18,383	11,055	(1,980)	(7,328)
<b>All Young People have opportunities to achieve their ambitions</b>	<b>90,917</b>	<b>37,502</b>	<b>33,041</b>	<b>25,351</b>	<b>(12,151)</b>	<b>(7,690)</b>
Expansion and Enhancement of Primary Schools	56,462	33,276	29,062	21,158	(12,118)	(7,904)
Expansion and Enhancement of Secondary Schools	27,430	98	138	352	254	214
Investment in Education Projects	7,025	4,128	3,841	3,841	(287)	0
<b>People take greater responsibility for their neighbourhood</b>	<b>3,658</b>	<b>490</b>	<b>1,468</b>	<b>1,029</b>	<b>539</b>	<b>(439)</b>
Creation and Enhancement of Community-run Buildings	1,161	303	361	108	(195)	(253)
Investment in Waste and Recycling	2,497	187	1,107	921	734	(186)
<b>All Lambeth Communities feel they are valued and part of their neighbourhoods</b>	<b>9,048</b>	<b>3,192</b>	<b>1,886</b>	<b>1,787</b>	<b>(1,405)</b>	<b>(99)</b>
Investment in Libraries and Community Hubs	5,153	953	107	57	(896)	(50)
Enhancement of Crematoria & Cemeteries	2,486	1,174	1,197	1,197	23	0
Investment in Culture and Heritage	1,409	1,065	582	533	(532)	(49)
<b>People live, work and visit our vibrant and creative town centres</b>	<b>23,965</b>	<b>15,422</b>	<b>13,798</b>	<b>12,792</b>	<b>(2,630)</b>	<b>(1,006)</b>
Resurfacing of Footways and Carriageways	14,667	9,992	10,078	10,034	42	(44)
Enhancement of Streetscapes and Public Spaces	9,298	5,430	3,720	2,758	(2,672)	(962)
<b>People are healthier, for longer</b>	<b>12,350</b>	<b>6,420</b>	<b>2,977</b>	<b>1,858</b>	<b>(4,562)</b>	<b>(1,119)</b>
Investment in Parks and Open Spaces	4,153	3,995	2,844	1,637	(2,358)	(1,207)
Investment in Leisure Centres	5,773	0	23	210	210	187
Community Health Projects	2,424	2,425	110	11	(2,414)	(99)
<b>Crime Reduces</b>	<b>152</b>	<b>55</b>	<b>55</b>	<b>53</b>	<b>(2)</b>	<b>(2)</b>
Community Safety Projects	152	55	55	53	(2)	(2)
<b>People lead environmentally sustainable lives</b>	<b>8,021</b>	<b>1,522</b>	<b>4,821</b>	<b>1,180</b>	<b>(342)</b>	<b>(3,641)</b>
Creation of Cycling Infrastructure	1,621	1,522	1,621	1,080	(442)	(541)
Enhancement Of Street Lighting	6,400	0	3,200	100	100	(3,100)
<b>Lambeth residents have more opportunities for better quality homes</b>	<b>246,391</b>	<b>147,895</b>	<b>112,673</b>	<b>78,309</b>	<b>(69,586)</b>	<b>(34,364)</b>
Investment in Lambeth Housing Standard Boroughwide (HRA)	208,087	121,068	94,112	64,899	(56,169)	(29,213)
Housing Development Projects	8,342	5,974	4,467	3,897	(2,077)	(570)
Housing Development Projects (HRA)	22,784	16,789	7,301	2,994	(13,795)	(4,307)
Investment in Empty Properties	401	261	166	11	(250)	(155)
Investment in Empty Properties (HRA)	6,545	3,648	6,395	6,276	2,628	(119)
Housing Communal Facilities (HRA)	232	155	232	232	77	0
<b>People live, work and visit our vibrant and creative town centres</b>	<b>6,705</b>	<b>1,750</b>	<b>4,077</b>	<b>3,231</b>	<b>1,481</b>	<b>(846)</b>
Strategic Transport Infrastructure	2,430	0	2,430	2,430	2,430	0
Lambeth Town Centres' Regeneration	4,275	1,750	1,647	801	(949)	(846)
<b>Enabling</b>	<b>16,376</b>	<b>2,809</b>	<b>14,419</b>	<b>13,600</b>	<b>10,791</b>	<b>(819)</b>
Investment in Corporate Office Accommodation	14,893	1,625	13,640	13,065	11,440	(575)
Improvement of Council IT Infrastructure	1,483	1,184	779	535	(649)	(244)
<b>Grand Total</b>	<b>455,800</b>	<b>241,549</b>	<b>216,227</b>	<b>156,221</b>	<b>(85,328)</b>	<b>(60,006)</b>

## 2015/16 Financing the Capital Investment Programme

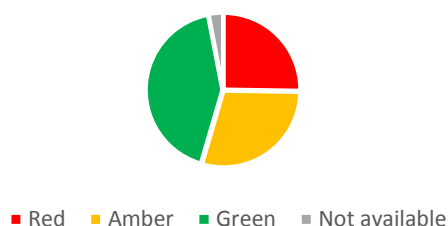
This expenditure, as detailed above, was financed from £57.8m of grant monies (£81.6m in 2014/15), £35.6m (£46.3m in 2014/15) of internal reserves and revenue contributions (including via the Major Repairs Reserve), £9m of proceeds from the disposal of Council assets (£34.9m in 2014/15), £3.8m from internal borrowing against cash balances (£11.1m in 2014/15), and £5.3m from developers' contributions (£4.6m previously).

## The Council's Performance

The Council's corporate performance framework is aligned to and reported against 13 community outcomes. These outcomes are set out in the Council's community plan. The performance framework contains two types of performance indicators: outcome indicators which monitor the wellbeing of the wider borough and Key Performance Measures 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. Data below shows performance for the 2015/16 financial year against our Key Performance Measures.

Overall, 42 indicators were rated green at year end. A further 29 indicators were rated amber, and 25 indicators were rated red. Data was not available for 3 indicators.

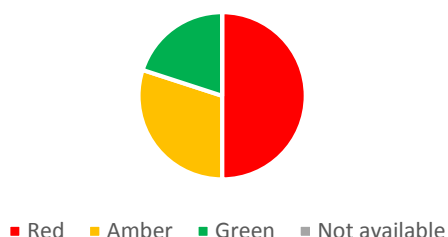
### Overall performance



### Vulnerable adults and children get support and protection

Half the indicators (10) were rated red, with a further 6 rated amber. Four indicators were rated green. Measures concerned with the timeliness of assessments and visits are generally performing well. Measures concerned with the safeguarding of adults and children and young people are improving but not yet achieving target.

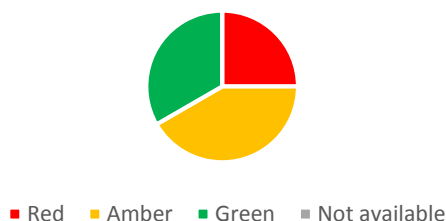
### Vulnerable adults and children get support and protection



### Older, disabled and vulnerable people can live independently and having control over their lives

Four Indicators were rated green, five amber and three red. Efforts to support older and vulnerable people are generally achieving or approaching target although there are issues around the timeliness of transferring residents from hospital to home or less acute.

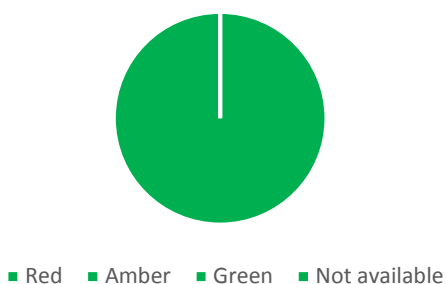
## Older, disabled and vulnerable people can live independently and having control over their lives



### Crime reduces

All three of the indicators under the crime reduces outcome were rated green. The Council's focus is on reducing risk and supporting victims of domestic violence, where Lambeth has a strong reputation.

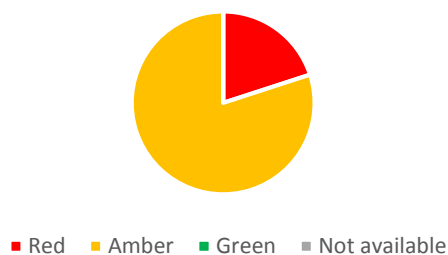
## Crime reduces



### People are healthier for longer

Four of the indicators under the People are Healthier for Longer outcome were rated amber. These focus on commissioned services relating to drug and alcohol treatment. The one red indicator relates to adults receiving an NHS Health Check.

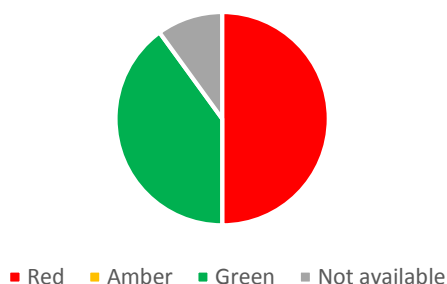
## People are healthier for longer



### Lambeth residents have more opportunities for better quality homes

Half of the indicators (5) under this outcome were rated red. Four were rated green where targets were achieved for number of new affordable housing units delivered, the number of households where homelessness is prevented, and the number of homelessness acceptances.

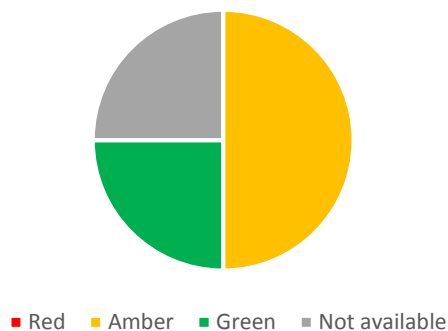
## Lambeth residents have more opportunities for better quality homes



## People achieve financial security

Measures under this outcome mostly relate to support given to residents to resolve benefits or debt issues or achieve benefit gains. The achievement of targets has been affected by reductions in funding to projects delivering these services.

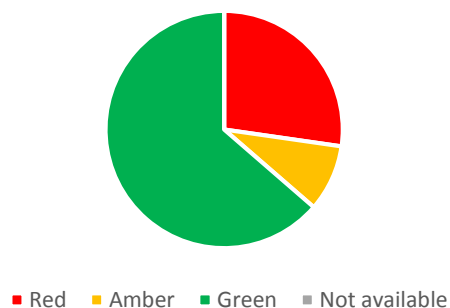
### People achieve financial security



## All young people have the opportunity to achieve their ambitions

Seven indicators (64%) were rated green, three indicators were rated red, and one was rated amber. There was some excellent performance relating to schools and educational attainment, including better performance at GCSE level than national averages and the narrowing the gap in educational attainment between disadvantaged children and young people at Key Stage 2 and Key Stage 4.

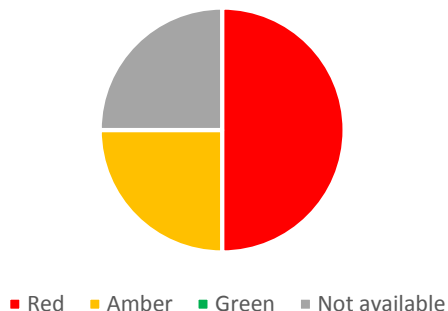
### All young people have the opportunity to achieve their ambitions



### People have the skills to find work

Half the indicators (2) under this outcome were rated red. These relate to a specific Lambeth project aimed at supporting residents with barriers to employment. The proportion of NEETs in the borough was marginally off target although we perform well compared to other London boroughs.

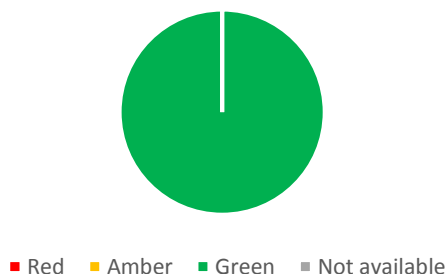
#### People have the skills to find work



### Lambeth plays a strong role in London's economy

All the indicators under this outcome were rated green. There is a particular focus on the time it takes to process major and minor planning applications.

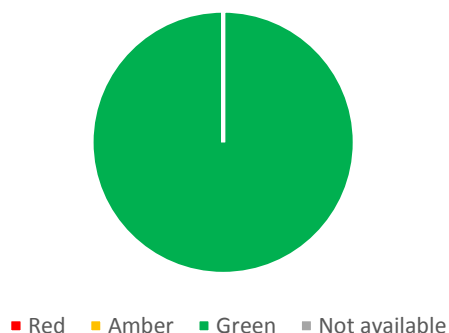
#### Lambeth plays a strong role in London's economy



### People live in, work in and visit our vibrant and creative town centres

Both indicators under this outcome were rated green. The number of visitors in libraries increased 7.4% from the previous year, and was the highest figure since 2004.

#### People live in, work in and visit our vibrant and creative town centres

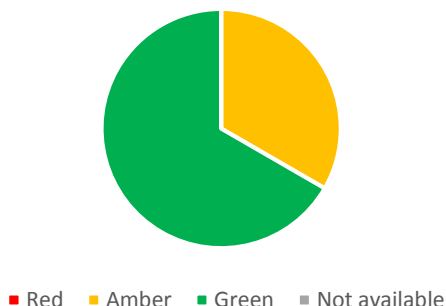




### People take greater responsibility for their neighbourhoods

Performance is generally good against this outcome. The one amber indicator relates to the number of reported fly tipping incidences over the year.

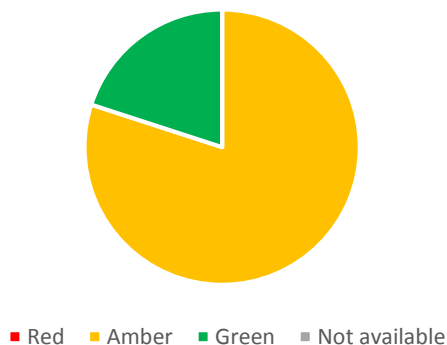
#### People take greater responsibility for their neighbourhoods



### People lead environmentally sustainable lives

Four indicators under this outcome were rated amber. The majority of these relate to recycling rates, which were marginally off target. Lambeth has also seen significant reductions in the amount of household waste generated per household.

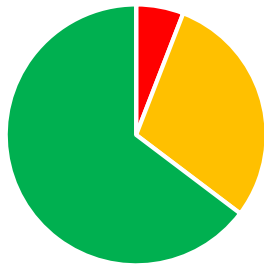
#### People lead environmentally sustainable lives



### Corporate Health

Eleven indicators were rated green. These include collection rates for Council Tax, NNDR, sundry debt and rent. This basket of indicators also includes those that relate to the processing of complaints, Members' Enquiries and FoI requests which are improving.

## Corporate Health



■ Red ■ Amber ■ Green ■ Not available

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Authority's Responsibilities

The Authority is required to:

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

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

## The Chief Financial Officer's Responsibilities

The Chief Financial Officer (CFO) is responsible for the preparation of the Authority's statement of accounts which, in terms of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this statement of accounts, the CFO has:

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

The CFO has also:

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

## Certification of the Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the London Borough of Lambeth, including its income and expenditure, and of the London Borough of Lambeth Pension Fund for the year ended 31 March 2016.

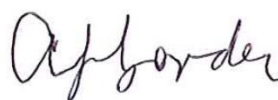
This Statement is authorised for issue on 29 September 2016

 29.9.16.

**Christina Thompson**  
Chief Financial Officer  
London Borough of Lambeth

## Approval of the Accounts

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

 29.9.16 -

**Councillor Adrian Garden**  
Chair – Corporate Committee

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

We have audited the financial statements of London Borough of Lambeth for the year ended 31 March 2016 on pages 21 to 90. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2016 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 Pension Fund during the year ended 31 March 2016 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2016 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 2015/16.

### **Matters on which we are required to report by exception**

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

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the Narrative Statement and the content of the Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

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

### **Authority's responsibilities**

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

### **Auditor's responsibilities**

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2015, as to whether London Borough of Lambeth had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether London Borough of Lambeth put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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

### **Basis for adverse conclusion**

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

- the findings of the Inspection of Services for Children in Need of Help and Protection, Children Looked After and Care Leavers published by OFSTED in Inspection of Safeguarding and Looked after Children Services (the OFSTED Report);
- the findings of HMI Probation's inspection of the Council's Youth Offending Team published in Full Joint Inspection of Youth Offending Work in Lambeth (The HMIP Report);
- the Council's Annual Governance Statement and Head of Internal Audit opinion; and
- audit evidence generated by our own consideration of the adequacy of the Council's arrangements

The OFSTED Report judged services for children in need of help and protection, children looked after and care leavers to be inadequate overall. The HMIP Report concluded that although improvements had been made since the previous inspection in 2012, the Youth Offending Team had not yet achieved an overall satisfactory level of performance.

The Council's Annual Governance Statement reports on significant weaknesses in the framework of governance, risk management and control and non-compliance with controls during the year ended 31 March 2016, together with the Council's action plan to address these weaknesses.

Having considered the findings and conclusions of the above inspections and the Council's assessment in its Annual Governance Statement, together with the results of our own audit work we have concluded that the Council did not in all significant respects have proper arrangements in place to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

### **Adverse conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are not 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 2016.

### **Delay in certification of completion of the audit**

Due to matters brought to our attention by local authority electors and work on the WGA Return not being completed by the 29 September 2016.

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 electors under the Audit Commission Act 1998, relating to the year ending 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on arrangements to secure value for money.

In addition we have not yet completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



**Neil Thomas**

**For and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

29 September 2016



## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

	Notes	Year Ended 31 March 2016			Year Ended 31 March 2015		
		Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
		£'000	£'000	£'000	£'000	£'000	£'000
Central services to the public		7,582	(5,783)	1,799	8,547	(5,639)	2,908
Cultural and Related Services		14,415	(5,621)	8,794	25,305	(4,399)	20,906
Environmental and Regulatory Services		39,087	(8,526)	30,561	43,237	(7,030)	36,207
Planning Services		15,036	(8,922)	6,114	13,356	(7,819)	5,537
Children's and Education Service		383,927	(279,868)	104,059	372,074	(273,267)	98,807
Highways and transport services		46,252	(32,981)	13,271	45,147	(29,980)	15,167
Local authority housing (HRA) – (reversal of revaluation loss)/		(26,821)	0	(26,821)	(102,675)	0	(102,675)
Local authority housing (HRA) - other		149,058	(190,270)	(41,212)	140,887	(185,276)	(44,389)
Housing services (Non HRA)		328,014	(284,123)	43,891	326,130	(287,786)	38,344
Adult social care		128,509	(41,081)	87,428	108,253	(21,424)	86,829
Public health		35,410	(34,134)	1,276	30,317	(31,890)	(1,573)
Corporate and democratic core		4,252	1	4,253	3,731	(12)	3,719
Non distributed costs – other		8,056	0	8,056	9,938	0	9,938
<b>COST OF SERVICES</b>		<b>1,132,777</b>	<b>(891,308)</b>	<b>241,469</b>	<b>1,024,247</b>	<b>(854,522)</b>	<b>169,725</b>
Levies				3,875			3,844
Payments to the Government				3,488			2,998
Housing Capital Receipts Pool							
(Gains)/losses on the Disposal of Non-Current Assets				(24,673)			(17,711)
Adjustment for schools transferring to academy status				0			44
Other expenditure				100			97
<b>Other Operating (Income)/Expenditure</b>				<b>(17,210)</b>			<b>(10,728)</b>
Interest Payable and Similar Charges - other				32,719			32,138
Net interest on the net pensions liability				23,782			25,662
Investment Interest income				(1,678)			(1,623)
<b>Financing and Investment Income and Expenditure</b>				<b>54,823</b>			<b>56,177</b>
Taxation and Non-Specific Grant Income	12c			(380,477)			(416,233)
<b>(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES</b>				<b>(101,395)</b>			<b>(201,059)</b>
<b>Loss / (Gain) on revaluation of non-current assets</b>	31			<b>(322,825)</b>			<b>(467,179)</b>
<b>Re-measurement of the Net Defined Benefit Liability</b>	31			<b>(186,638)</b>			<b>170,021</b>
<b>Other Comprehensive (Income) and Expenditure</b>				<b>(509,463)</b>			<b>(297,158)</b>
<b>TOTAL COMPREHENSIVE INCOME AND EXPENDITURE</b>				<b>(610,858)</b>			<b>(498,217)</b>

## MOVEMENT IN RESERVES STATEMENT

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

The first two tables provide movements on individual usable reserves (for 2014/15 and 2015/16) with one column for all of the unusable reserves.

2015/16	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserves £'000	LMS Balances £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2015 brought forward</b>	<b>(23,615)</b>	<b>(63,784)</b>	<b>(10,037)</b>	<b>(26,512)</b>	<b>(20,465)</b>	<b>(25,773)</b>	<b>(4,829)</b>	<b>(53,270)</b>	<b>(228,284)</b>	<b>(1,820,800)</b>	<b>(2,049,084)</b>
<b><u>Movement in reserves during 2015/16</u></b>											
(Surplus) or deficit on the provision of services	(3,217)	0	(98,178)	0	0	0	0	0	(101,395)	0	(101,395)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	(509,463)	(509,463)
<b>Total Comprehensive Income and Expenditure (CIES Pages 19)</b>	<b>(3,217)</b>	<b>0</b>	<b>(98,178)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(101,395)</b>	<b>(509,463)</b>	<b>(610,858)</b>
Adjustments between accounting basis & funding basis under regulations (Note 29)	3,270	0	82,016	0	0	(37,781)	4,829	(5,454)	46,880	(46,880)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>53</b>	<b>0</b>	<b>(16,162)</b>	<b>0</b>	<b>0</b>	<b>(37,781)</b>	<b>4,829</b>	<b>(5,454)</b>	<b>(54,515)</b>	<b>(556,343)</b>	<b>(610,858)</b>
Transfer to/from Other Reserves (Note 30b)	(802)	0	0	0	802	0	0	0	0	0	0
Transfers to/from Earmarked Reserves (Note 30c)	1,928	(1,928)	15,453	(15,453)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2015/16</b>	<b>1,179</b>	<b>(1,928)</b>	<b>(709)</b>	<b>(15,453)</b>	<b>802</b>	<b>(37,781)</b>	<b>4,829</b>	<b>(5,454)</b>	<b>(54,515)</b>	<b>(556,343)</b>	<b>(610,858)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(22,436)</b>	<b>(65,712)</b>	<b>(10,746)</b>	<b>(41,965)</b>	<b>(19,663)</b>	<b>(63,554)</b>	<b>0</b>	<b>(58,724)</b>	<b>(282,799)</b>	<b>(2,377,143)</b>	<b>(2,659,942)</b>

2014/15	General Fund Balance £'000	General Fund Earmarked Reserves £'000	Housing Revenue Account £'000	HRA Earmarked Reserves £'000	LMS Balances £'000	Capital Receipts Reserve £'000	Major Repairs Reserve (Capital) £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2014 brought forward	(24,874)	(67,329)	(7,843)	(23,236)	(18,644)	(76,094)	(3,127)	(46,481)	(267,628)	(1,283,238)	(1,550,866)
<u>Movement in reserves during 2014/15</u>											
(Surplus) or deficit on the provision of services	3,538	0	(204,597)	0	0	0	0	0	(201,059)	0	(201,059)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	(297,158)	(297,158)
<b>Total Comprehensive Income and Expenditure (CIES Pages 19)</b>	<b>3,538</b>	<b>0</b>	<b>(204,597)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(201,059)</b>	<b>(297,158)</b>	<b>(498,217)</b>
Adjustments between accounting basis & funding basis under regulations (Note 29)	(555)	0	199,127	0	0	50,321	(1,702)	(6,789)	240,403	(240,403)	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>2,983</b>	<b>0</b>	<b>(5,470)</b>	<b>0</b>	<b>0</b>	<b>50,321</b>	<b>(1,702)</b>	<b>(6,789)</b>	<b>39,344</b>	<b>(537,561)</b>	<b>(498,217)</b>
Transfer to/from Other Reserves (Note 30b)	1,821	0	0	0	(1,821)	0	0	0	0	0	0
Transfers to/from Earmarked Reserves (Note 30c)	(3,545)	3,545	3,276	(3,276)	0	0	0	0	0	0	0
<b>(Increase)/Decrease in 2014/15</b>	<b>1,259</b>	<b>3,545</b>	<b>(2,194)</b>	<b>(3,276)</b>	<b>(1,821)</b>	<b>50,321</b>	<b>(1,702)</b>	<b>(6,789)</b>	<b>39,344</b>	<b>(537,561)</b>	<b>(498,217)</b>
Balance at 31 March 2015 carried forward	(23,615)	(63,784)	(10,037)	(26,512)	(20,465)	(25,773)	(4,829)	(53,270)	(228,284)	(1,820,800)	(2,049,084)

## 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 2016 £'000	31 March 2015 £'000
Property, Plant & Equipment	14a	3,591,711	3,154,626
Heritage Assets		1,114	1,083
Intangible Assets	14b	7,360	6,320
Long-Term Investments	15d	0	5,048
Long-Term Debtors		397	410
<b>LONG TERM ASSETS</b>		<b>3,600,582</b>	<b>3,167,487</b>
Assets Held for Sale (within one year)		800	0
Inventories		10	28
Short Term Debtors	16	162,933	169,512
Short Term Investments	15a	216,118	152,454
Cash and Cash Equivalents	35	40,986	118,651
<b>CURRENT ASSETS</b>		<b>420,847</b>	<b>440,645</b>
Bank overdraft (Cash and Cash Equivalents)	35	0	(26,247)
Short Term Borrowing	15a	(11,274)	(9,720)
Short Term Creditors	17,18	(154,399)	(167,265)
Provisions	23	(21,480)	(15,412)
Grants Receipts in Advance - Revenue	17,18	(14,659)	(11,751)
Grants Receipts in Advance - Capital	19	(22,013)	(34,153)
<b>CURRENT LIABILITIES</b>		<b>(223,825)</b>	<b>(264,548)</b>
Long Term Creditors	15a	(107,226)	(105,752)
Provisions	23	(3,733)	(2,623)
Long Term Borrowing	15a	(412,717)	(412,717)
Other Long Term Liabilities - IAS19 Pension Liability	26	(599,147)	(767,039)
Grants Receipts in Advance - Capital	19	(14,839)	(6,369)
<b>LONG TERM LIABILITIES</b>		<b>(1,137,662)</b>	<b>(1,294,500)</b>
<b>NET ASSETS</b>		<b>2,659,942</b>	<b>2,049,084</b>
Total usable reserves	30	(282,799)	(228,284)
Total unusable reserves	31	(2,377,143)	(1,820,800)
<b>TOTAL RESERVES</b>		<b>(2,659,942)</b>	<b>(2,049,084)</b>

These financial statements replace the unaudited financial statements certified by the Chief Financial Officer on 30 June 2016.

**Christina Thompson**  
Chief Financial Officer  
London Borough of Lambeth

## CASH FLOW STATEMENT

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

Year Ended 31 March	Notes	2016 £'000	2015 £'000
Net (surplus) or deficit on the provision of services		(101,395)	(201,059)
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(44,793)	37,054
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		119,000	136,321
Net cash flows from Operating Activities		(27,188)	(27,684)
Investing Activities	32	77,147	(54,605)
Financing Activities	33	1,459	2,406
Net (increase) or decrease in cash and cash equivalents		51,418	(79,883)
Cash and cash equivalents at the beginning of the reporting period		(92,404)	(12,521)
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>35</b>	<b>(40,986)</b>	<b>(92,404)</b>

Adjustment of Net (Surplus) on Provision of Services	2015/16 £'000	2014/15 £'000
<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>(101,395)</b>	<b>(201,059)</b>
<u>Adjust net surplus or deficit on the provision of services for non-cash movements</u>		
Depreciation and amortisation	(49,772)	(53,506)
Impairment and revaluations	43,684	100,606
( Increase )/Decrease in Creditors	23,037	13,739
Increase/ (Decrease) in Debtors	(12,977)	13,978
(Decrease)/Increase in Inventories	(18)	23
Accumulated Balances of Schools transferred to Academy Status	0	44
Other adjustments	(1,044)	519
Non Cash PFI expenditure	3,224	(2,595)
Increase/(Decrease) in Accrued Investment Income	616	(176)
Pension Liability	(18,747)	(5,118)
Contributions (to)/from Provisions	(7,179)	(5,177)
Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	(25,617)	(25,283)
	<b>(44,793)</b>	<b>37,054</b>
<u>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</u>		
Capital Grants credited to surplus or deficit on the provision of services	68,609	93,031
Proceeds from the sale of property plant and equipment, investment property and intangible assets	50,391	43,290
	<b>119,000</b>	<b>136,321</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(27,188)</b>	<b>(27,684)</b>

## NOTES TO THE ACCOUNTS (GENERAL)

### 1. Statement of Accounting Policies

#### A. Basis of Preparation

The Accounts and Audit (England) Regulations 2011 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2015/16, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code)
- the Service Reporting Code of Practice 2015/16 (SeRCOP)
- the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003 (SI 2003 No 3146, as amended) (the 2003 Regs)

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made. Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

The method for determining fair value depends on the level in the fair value hierarchy.

Level 1 category is reserved for unadjusted quoted prices in active markets for identical assets.

Level 2 inputs are quoted prices other than quoted prices in Level 1 that are observable for the asset but where adjustments may be required based on location and condition.

Level 3 inputs comprise unobservable inputs for an asset used to measure fair value in circumstances where market data is not available as there is little, if any, market activity for the asset at the measurement date.

Class of Assets	Valuation Basis
Property, Plant and Equipment: Dwellings	Existing use value for social housing
Property, Plant and Equipment: Other Land and Buildings	Existing use value; and depreciated replacement cost in the case of specialised assets such as schools
Property, Plant and Equipment: Surplus Assets	Fair value – level 2 - Significant Observable Inputs. Land, Office and Retail assets have been based on the market approach using current market conditions and recent sales prices and other relevant information for similar assets in the local authority area. Market conditions for these asset types are such that the level of observable inputs are significant leading to the properties being categorised at Level 2 in the fair value hierarchy.
Pensions Assets	Fair values based on the following: <ul style="list-style-type: none"><li>• quoted securities – current bid price</li><li>• unquoted securities – professional estimate</li><li>• unitised securities – current bid price</li><li>• property – market value.</li></ul>

The Statement of Accounts has been adjusted to reflect events after 31 March 2016 and before the date the Statement was authorised for issue (date awaited) only where the events provide evidence of conditions that existed at 31 March.

#### B. Adjustments Between Accounting Basis and Funding Basis

The resources available to the Council in any financial year and the expenses that are charged against those resources are specified by statute (the Local Government Act 2003 and the 2003 Regulations). Where the statutory provisions differ from the accruals basis used in the Comprehensive Income and Expenditure Statement, adjustments to the accounting treatment are made in the Movement in Reserves Statement so that usable reserves reflect the funding available at the year-end.



Unusable reserves are created to manage the timing differences between the accounting and funding bases. The material adjustments are:

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Property, Plant and Equipment	Depreciation and revaluation/impairment losses	Annual contribution from revenue towards the reduction in its overall borrowing requirement equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance.	Capital Adjustment Account
Intangible Assets	Amortisation and impairment		Capital Adjustment Account
Investment Properties	Movements in fair value		Capital Adjustment Account
Revenue Expenditure Funded from Capital under Statute	Expenditure incurred in 2015/16		Capital Adjustment Account

Expense	Accounting Basis in CIES	Funding Basis in MiRS	Adjustment Account
Capital Grants and Contributions	Grants that became unconditional in 2015/16 or were received in 2015/16 without conditions	No credit	Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2016) 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 2015/16	Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs	Financial Instruments Adjustment Account
Pensions Costs	Movements in pensions assets and liabilities (see Policy 10) being the aggregate of service costs, net interest costs and actuarial gains and losses.	Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2015/16	Pensions Reserve
Council Tax	Accrued income from 2015/16 bills	Demand on the Collection Fund for 2015/16 plus share of estimated surplus at 31 March 2016	Collection Fund Adjustment Account
Business Rates	Accrued income from 2015/16 bills	Precept from the Collection Fund for 2015/16	Collection Fund Adjustment Account
Holiday Pay	Projected cost of untaken leave entitlements at 31 March 2016	No charge	Accumulated Absences Adjustment Account

### C. Financial Instruments

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

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

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

Changes in the fair value of financial assets that have fixed or determinable payments and are not quoted in an active market (loans and receivables) are not recognised in the Balance Sheet as they arise but are debited or credited to the Financing and

Investment Income and Expenditure line in the CIES when the instrument matures or is sold. However, where loans and receivables become impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the carrying amount of the instrument is written down in the Balance Sheet to the present value of the revised future cash flows discounted at the original effective interest rate and the loss is debited to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the CIES.

#### **D. Government Grants and Contributions**

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

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

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

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

#### **E. Intangible Assets**

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

Intangible assets are measured at cost.

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

#### **F. Leases**

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

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

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

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

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

Rentals paid by the Council under operating leases are charged to the CIES as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

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

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

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

## **G. Overheads and Support Services**

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

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

## **H. Post-Employment Benefits**

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

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

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

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

- the liabilities of the Lambeth and London Pension Funds attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method
- liabilities are discounted to their value at current prices using a discount rate of 3.5% (3.2% in 2014/15) which is based on the indicative rate of return available on a basket of AA-rated bonds with long terms to maturity (the iBoxx AA rated over 15 year corporate bond index)
- the assets of the Lambeth and London Pension Funds attributable to the Council are included in the Balance Sheet at their fair value as set out in Policy A.

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

- Service cost comprising:
  - current service cost – allocated in the Comprehensive Income and Expenditure Statement (CIES) to the services for which the employees worked
  - past service cost – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
  - net interest on the net defined benefit liability – charged to the Financing and Investment Income and Expenditure line of the CIES
- 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 – not accounted for as an expense in the CIES

## **I. Property, Plant and Equipment**

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

Assets are initially measured at cost, comprising:

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

Certain categories of Property, Plant and Equipment are measured subsequently at fair value – see Policy A for details. Other assets (infrastructure, community assets and assets under construction) are carried at depreciated historical cost. Assets

included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

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

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

#### Useful Economic Lives

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

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

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

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

#### **J. Private Finance Initiative and Similar Contracts**

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

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

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

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

#### **K. Provisions**

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement where an event has taken place that gives the Council a legal or constructive obligation that probably requires

settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

#### **L. Termination Benefits**

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

#### **M. Changes in Accounting Policies**

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

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

#### **N. Cash and cash equivalents**

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

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

#### **O. Reserves**

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

#### **P. Rounding**

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

### **2a. Critical Judgements and Assumptions**

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

Items in the Council's Balance Sheet at 31 March 2016 for which there is a risk of material adjustment in the forthcoming financial year include pensions liabilities, property, plant and equipment valuations, insurance provisions and bad debt provisions.

Critical judgements made in the Statement of Accounts are:

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

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

#### ***Bad Debt Provisions***

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

## **Provisions and Contingent Liabilities**

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

### **Insurance Fund**

The Council holds a fund of £13m in total to act as a means to self-insurance. This is split between a consideration of £6.1m held in provisions to deal with post-1992 claims, which are deemed to be more robustly understood and quantifiable, and a reserve of £6.9m to deal with pre-1992 claims, which is based more on judgement as to a reasonable level to hold. These figures are informed by an actuarial valuation of liabilities, which showed a total fund requirement of £14m (14/15 £14m).

### **Restructures and Redundancies**

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

### **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 2015/16 was conducted by our new external valuers, the District Valuer Services, for the schools' portfolio, and by Wilks Head and Eve LLP for the remaining fixed assets.

### **Service Concessions**

The Council is deemed to control the services provided under the following PFI agreements. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets recognised as Property Plant and Equipment on the Council's Balance sheet. The asset values are shown below: -

- Myatt's Field North (£39.6m)
- Norwood Health and Leisure Centre (£14.0m)
- Lilian Baylis School (£27.4m)
- Waste Management (£4.7m)
- Lambeth Lighting (£12.0m)

### **Group Accounts**

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

### **Pensions Liabilities**

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

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

	Approx. increase to pension liability		Approx. increase to monetary amount	
	LPFA	Lambeth	LPFA	Lambeth
	%	%	£'000	£'000
1 year increase in member life expectancy	3	3	2,349	52,010
0.5% increase in salary increase rate	<1	2	200	36,820
0.5% increase in pension increase rate	7	7	4,995	128,988
0.5% decrease in real discount rate	7	10	5,050	167,446

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

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



### ***Property Valuations***

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.

### ***Termination benefits***

These are covered above under “restructures and redundancies.”

### **2b. Post Balance Sheet**

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

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

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

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across 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 income and expenditure of the Council's departments and other groupings reported separately are recorded in the budget reports for the year are set out below. Other groupings are expenditure where there is no recourse to public funds (NRPF) and certain corporate items where budgets are not delegated to departments (Corporate Items).

#### 3a. Departmental Income and Expenditure

2015/16	Children, Adults & Health £'000	Neighbourhoods & Growth £'000	Corporate Resources £'000	NRPF £'000	Total General Fund £'000	HRA £'000	Total Council £'000
Fees, Charges & Other Service Income	(48,558)	(67,908)	(24,366)	0	(140,832)	(182,541)	<b>(323,373)</b>
Government Grants	(79,537)	(7,465)	(264,142)	0	(351,144)	(7,729)	<b>(358,873)</b>
<b>Total Income</b>	<b>(128,095)</b>	<b>(75,373)</b>	<b>(288,508)</b>	<b>0</b>	<b>(491,976)</b>	<b>(190,270)</b>	<b>(682,246)</b>
Employee Expenses	67,567	33,729	40,643	706	142,645	21,627	<b>164,272</b>
Other Service Expenses	242,453	98,866	314,041	4,649	660,009	149,737	<b>809,746</b>
Support Service Recharges	660	(8,302)	(7,208)	0	(14,850)	18,828	<b>3,978</b>
<b>Total Expenditure</b>	<b>310,680</b>	<b>124,293</b>	<b>347,476</b>	<b>5,355</b>	<b>787,804</b>	<b>190,192</b>	<b>977,996</b>
<b>Net Expenditure</b>	<b>182,585</b>	<b>48,920</b>	<b>58,968</b>	<b>5,355</b>	<b>295,828</b>	<b>(78)</b>	<b>295,750</b>

2014/15	Commis- sioning £'000	Delivery £'000	Enabling £'000	Business Develop- ment £'000	NRPF £'000	Corporate Items £'000	Total General Fund £'000	HRA £'000	Total Council £'000
Fees, Charges & Other Service Income	(7,632)	(108,058)	(5,431)	(414)	(1)	0	(121,536)	(177,547)	<b>(299,083)</b>
Government Grants	(27,413)	(251,941)	(268,356)	0	0	0	(547,710)	(7,729)	<b>(555,439)</b>
<b>Total Income</b>	<b>(35,045)</b>	<b>(359,999)</b>	<b>(273,787)</b>	<b>(414)</b>	<b>(1)</b>	<b>0</b>	<b>(669,246)</b>	<b>(185,276)</b>	<b>(854,522)</b>
Employee Expenses	3,392	249,011	10,088	1,697	635	0	264,823	3,194	<b>268,017</b>
Other Service Expenses	51,425	329,824	292,545	4,180	3,666	0	681,640	167,499	<b>849,139</b>
Support Service Recharges	1,763	26,341	1,173	56	101	0	29,434	12,390	<b>41,824</b>
<b>Total Expenditure</b>	<b>56,580</b>	<b>605,176</b>	<b>303,806</b>	<b>5,933</b>	<b>4,402</b>	<b>0</b>	<b>975,897</b>	<b>183,083</b>	<b>1,158,980</b>
<b>Net Expenditure</b>	<b>21,535</b>	<b>245,177</b>	<b>30,019</b>	<b>5,519</b>	<b>4,401</b>	<b>0</b>	<b>306,651</b>	<b>(2,193)</b>	<b>304,458</b>

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

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

	2015/16	2014/15
	£'000	£'000
Net expenditure in the Directorate Analysis	295,750	304,458
Less: Amounts included in Directorate Analysis but not in Cost of Services	(67,088)	(144,980)
Add: Amounts reported in Corporate Items in Outturn Report	(93,266)	0
Add: Amounts not reported to management but included in Cost of Services	106,073	10,244
<b>Cost of Services in CIES</b>	<b>241,469</b>	<b>169,725</b>

### 3c. Reconciliation to Subjective Analysis

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

2015/16	Directorate Analysis in Detail	HRA Statutory Mitigation Items	Amounts reported in Corporate Items in Outturn Report	Amounts not Reported to Management, but included in Cost of Services	Cost of Services	Amounts included in CIES but below Net Cost Of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer and Client Receipt	(323,373)	0	(11,368)	0	(334,741)	0	<b>(334,741)</b>
Interest & Investment Income	0	0	0	0	0	(1,678)	<b>(1,678)</b>
Miscellaneous and Collection Fund estimates	0	0	0	0	0	613	<b>613</b>
Government Grants	(358,873)	0	(197,694)	0	(556,567)	0	<b>(556,567)</b>
Capital Grants and Contributions	0	0	0	0	0	(56,710)	<b>(56,710)</b>
Non-Specific Government Grants	0	0	0	0	0	(38,744)	<b>(38,744)</b>
Income from Council Tax	0	0	0	0	0	(97,515)	<b>(97,515)</b>
Non-domestic rates redistribution	0	0	0	0	0	(188,121)	<b>(188,121)</b>
<b>Total Income</b>	<b>(682,246)</b>	<b>0</b>	<b>(209,062)</b>	<b>0</b>	<b>(891,308)</b>	<b>(382,155)</b>	<b>(1,273,463)</b>
Employee Expenses	164,272	0	115,796	18,648	298,716	0	<b>298,716</b>
Other Service Expenditure	809,048	(66,390)	0	28,697	771,355	100	<b>771,455</b>
Support Service Recharges	3,978	0	0	52,686	56,664	0	<b>56,664</b>
Depreciation, amortisation and impairment	698	(698)	0	6,042	6,042	0	<b>6,042</b>
Interest Payments	0	0	0	0	0	32,719	<b>32,719</b>
Levies	0	0	0	0	0	3,875	<b>3,875</b>
Pensions interest cost less return on assets	0	0	0	0	0	23,782	<b>23,782</b>
Payments to Housing Capital Receipts Pool	0	0	0	0	0	3,488	<b>3,488</b>
(Gain) or Loss on Disposal of Fixed Assets	0	0	0	0	0	(24,673)	<b>(24,673)</b>
<b>Total expenditure</b>	<b>977,996</b>	<b>(67,088)</b>	<b>115,796</b>	<b>106,073</b>	<b>1,132,777</b>	<b>39,291</b>	<b>1,172,068</b>
<b>(Surplus) or deficit on the provision of Services</b>	<b>295,750</b>	<b>(67,088)</b>	<b>(93,266)</b>	<b>106,073</b>	<b>241,469</b>	<b>(342,864)</b>	<b>(101,395)</b>

2014/15	Directorate Analysis in Detail	HRA Statutory Mitigation Items	Amounts not Reported to Management, but included in Cost of Services	Cost of Services	Amounts included in CIES but below Net Cost Of Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Customer and Client Receipt	(299,083)	0	0	(299,083)	97	(298,986)
Interest & Investment Income	0	0	0	0	(1,623)	(1,623)
Miscellaneous and Collection Fund estimates	0	0	0	0	2,162	2,162
Government Grants	(555,439)	0	0	(555,439)	0	(555,439)
Capital Grants and Contributions	0	0	0	0	(82,565)	(82,565)
Non-Specific Government Grants	0	0	0	0	(22,759)	(22,759)
Income from Council Tax	0	0	0	0	(95,679)	(95,679)
Non-domestic rates redistribution	0	0	0	0	(217,392)	(217,392)
<b>Total Income</b>	<b>(854,522)</b>	<b>0</b>	<b>0</b>	<b>(854,522)</b>	<b>(417,759)</b>	<b>(1,272,281)</b>
Employee Expenses	268,640	(623)	643	268,660	0	268,660
Other Service Expenditure	803,507	(45,824)	306	757,989	44	758,033
Support Service Recharges	41,809	0	0	41,809	0	41,809
Depreciation, amortisation and impairment	45,025	(98,533)	9,295	(44,213)	0	(44,213)
Interest Payments	0	0	0	0	32,138	32,138
Levies	0	0	0	0	3,844	3,844
Pensions interest cost less return on assets	0	0	0	0	25,662	25,662
Payments to Housing Capital Receipts Pool	0	0	0	0	2,998	2,998
(Gain) or Loss on Disposal of Fixed Assets	0	0	0	0	(17,711)	(17,711)
<b>Total expenditure</b>	<b>1,158,981</b>	<b>(144,980)</b>	<b>10,244</b>	<b>1,024,247</b>	<b>46,975</b>	<b>1,071,221</b>
<b>(Surplus) or deficit on the provision of Services</b>	<b>304,461</b>	<b>(144,980)</b>	<b>10,244</b>	<b>169,725</b>	<b>(370,784)</b>	<b>(201,059)</b>

#### 4. Material Items of Income and Expense

##### Revaluation Loss and Impairment

In 2015/16 there was a total net reversal of revaluation loss of £43.7m, of this £26.8m net reversal of revaluation loss was recorded in the HRA as a result of uplift in property values. In 2014/15 there was a similar net reversal of revaluation loss of £102.7m for identical reasons. Similarly in schools in 2015/16 there was a net reversal of revaluation loss of £8.4m. (The remaining £8.5m net reversal of revaluation loss was also as a result of an uplift in property values).

#### 5. Parking Places Revenue Account

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

	2015/16 £'000	2014/15 £'000
Income	(26,863)	(25,547)
Expenditure	15,621	17,371
(Surplus)/Deficit for the year	<b>(11,242)</b>	<b>(8,177)</b>

##### **Use of Surplus**

Revenue Contribution to Capital	2,500	2,500
Road Safety	68	345
Other Highways Expenditure	466	785
Structural Maintenance inc. Footways & Carriageways	1,335	92
Concessionary Fares	5,800	4,200
Transport Planning	471	93
Aids to Movement, Furniture & Fittings	174	220
Other Contributions to Transport Related Works	448	0
	<b>11,262</b>	<b>8,235</b>
<b>(Surplus) / Deficit for year</b>	<b>20</b>	<b>58</b>

#### 6. Building Operations Trading Account

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

	Chargeable £'000	2015/16 Non- Chargeable £'000	Total £'000	Chargeable £'000	2014/15 Non- Chargeable £'000	Total £'000
<b>Expenditure</b>						
Employees	407	175	582	392	168	560
Premises	2	1	3	1	1	2
Transport	5	2	7	2	1	3
Supplies & Services	(47)	(20)	(67)	20	9	29
Third Party Payments	78	33	111	0	0	0
Central & Support Charges	176	75	251	148	63	211
	<b>621</b>	<b>266</b>	<b>887</b>	<b>563</b>	<b>242</b>	<b>805</b>
<b>Income</b>						
Building Regulations Charges	(652)	0	(652)	(656)	0	(656)
<b>(Surplus)/Deficit for the Year</b>	<b>(31)</b>	<b>266</b>	<b>235</b>	<b>(93)</b>	<b>242</b>	<b>149</b>

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

Lambeth Living Ltd (LL), a company limited by guarantee and wholly owned by the Council was formally closed down following the re-integration of the Housing Service.

The management fee of £5,541k for 1st quarter of 2015/16 (2014/15 £ 23,843k) was paid to Lambeth Living after which the company was closed operationally upon the expiry of the management agreement on the 26th June 2015. Housing Management services were successfully returned to the Council on 26 June 2015 and Lambeth Living staff have been reintegrated and the Lambeth Living Board dissolved.

## 8. Members' Allowances

	2015/16 £'000	2014/15 £'000
Members' Allowances	759	1,157
Special Responsibility Allowance	508	0
	<b>1,267</b>	<b>1,157</b>

## 9a. Officers' Remuneration

Name and Title	Year	Salary, Fees & Allowances £	Expense Allowances £	Total Remuneration excl employers' pension contributions £	Employers' pension contributions £	Election Payment (incl pension) £	Total Remuneration incl employers' pension contributions £
<b>Derrick Anderson<sup>1</sup></b>	<b>2015/16</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Former Chief Executive	2014/15	194,806	0	194,806	24,327	15,460	234,593
<b>Sean Harriss</b>	<b>2015/16</b>	<b>180,000</b>	<b>0</b>	<b>180,000</b>	<b>30,972</b>	<b>0</b>	<b>210,972</b>
Chief Executive	2014/15	0	0	0	0	0	0
<b>Guy Ware<sup>2</sup></b>	<b>2015/16</b>	<b>62,787</b>	<b>0</b>	<b>62,787</b>	<b>10,653</b>	<b>0</b>	<b>73,440</b>
Former Strategic Director, Enabling	2014/15	155,190	0	155,190	26,072	0	181,262
<b>Jacqueline Belton</b>	<b>2015/16</b>	<b>152,190</b>	<b>0</b>	<b>152,190</b>	<b>10,791</b>	<b>0</b>	<b>162,981</b>
Strategic Director, Corporate Resources	2014/15	0	0	0	0	0	0
<b>Helen Charlesworth-May</b>	<b>2015/16</b>	<b>152,190</b>	<b>0</b>	<b>152,190</b>	<b>25,568</b>	<b>0</b>	<b>177,758</b>
Strategic Director - Commissioning	2014/15	152,190	0	152,190	25,568	0	177,758
<b>Susan Foster</b>	<b>2015/16</b>	<b>152,190</b>	<b>0</b>	<b>152,190</b>	<b>25,568</b>	<b>0</b>	<b>177,758</b>
Executive Director – Housing, Regeneration & Environment	2014/15	152,190	0	152,579	25,568	0	177,758
<b>Dr. Ruth Wallis<sup>3</sup></b>	<b>2015/16</b>	<b>150,577</b>	<b>0</b>	<b>150,577</b>	<b>20,431</b>	<b>0</b>	<b>171,008</b>
Joint Health Executive Director - Lambeth and Southwark	2014/15	150,577	0	150,577	19,329	0	169,906
<b>Sir Craig Tunstall<sup>4</sup></b>	<b>2015/16</b>	<b>330,394</b>	<b>0</b>	<b>330,394</b>	<b>43,758</b>	<b>0</b>	<b>374,152</b>
Federation of Kingswood & Elmwood Primary Schools and Children's Centres	2014/15	279,922	0	279,922	39,463	0	319,385

1. Derrick Anderson left the Council in December 2014. New Chief Executive started on 1<sup>st</sup> April 2015.

2. Guy Ware left the Council in August 2015 and was replaced by J Belton who joined the Council in October 2015.

3. Ruth Wallis. The post is shared equally with LB Southwark, and the Council's share of total remuneration and contribution to the pension fund is £75,289 and £10,216 respectively. This is based on information Lambeth obtained from Southwark.

4. Craig Tunstall is included, despite being a school employee, due to the nature of schools that are not academies or free schools falling within the Group Boundaries of local government. These group boundaries are defined by regulation and interpreted by Chartered Institute of Public Finance & Accountancy (CIPFA).

## 9b. Remuneration Details – Higher Earners

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

Remuneration band	Number of employees	
	2015/16	2014/15
£50,000 - £54,999	183	206
£55,000 - £59,999	162	104
£60,000 - £64,999	79	56
£65,000 - £69,999	57	34
£70,000 - £74,999	37	28
£75,000 - £79,999	44	24
£80,000 - £84,999	8	14
£85,000 - £89,999	6	14
£90,000 - £94,999	6	8
£95,000 - £99,999	3	4
£100,000 - £104,999	4	6
£105,000 - £109,999	2	2
£110,000 - £114,999	0	5
£115,000 - £119,999	9	3
£120,000 - £124,999	0	2
£125,000 - £129,999	0	0
£130,000 - £134,999	1	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	1
£145,000 - £149,999	0	0
£150,000 - £154,999	1	0

## 9c. Exit Packages

Exiting Package cost band (including special payments) £	Number of compulsory redundancies		Number of other Departures agreed		Total Number of Exit packages by cost band		Total Cost of Exit Packages in each band £	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
0 – 20,000	5	7	383	88	388	95	4,053,458	758,859
20,001 – 40,000	2	7	82	11	84	18	2,220,768	515,143
40,001 – 60,000	0	5	13	5	13	10	632,034	494,967
60,001 – 80,000	0	2	7	3	7	5	461,397	352,944
80,001 – 100,000	0	0	2	3	2	3	180,608	269,231
100,001 – 150,000	0	2	0	4	0	6	0	649,101
150,001 – 200,000	0	0	0	2	0	2	0	337,090
200,001 – 250,000	0	0	0	1	0	1	0	223,152
250,000+	0	0	0	1	0	1	0	257,586
<b>Total cost of exit package before provision</b>	<b>7</b>	<b>23</b>	<b>487</b>	<b>118</b>	<b>494</b>	<b>141</b>	<b>7,548,265</b>	<b>3,858,073</b>

The total cost of £7,548,265 (£3,858,073 in 2014/15) includes £5,745,224 (£545,254 in 2014/15) for exit packages that have been agreed and charged to the authority's Comprehensive Income and Expenditure Statement in the current year but will not be paid until 2016/17.



## 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 (Deloitte LLP in 2014/15):

	2015/16 £'000	2014/15 £'000
Fees with regard to external audit services carried out by the appointed auditor for the year	208	277
Fees for the certification of grant claims and returns for the year	35	42
Fees for non-audit services	0	14
	<b>243</b>	<b>333</b>

## 11. Publicity Expenditure

The Council's Publicity Expenditure is set out below:

	2015/16 £'000	2014/15 £'000
Advertising	1,193	907
Recruitment Advertising	675	312
	<b>1,868</b>	<b>1,219</b>

## 12. Grant Income, Contributions and Taxation

### 12a. Other Revenue Grant Income

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

Credited to Taxation and Non Specific Grant Income	2015/16 £'000	2014/15 £'000
Community Infrastructure Levy	(16,790)	0
Education Services Grant	(3,130)	(3,903)
Emergency Support Service - Social Fund	0	(1,896)
Housing and Council Tax Benefit	(2,820)	0
New Homes Bonus & New Homes Bonus Top Slice	(8,333)	(8,633)
Troubled Families Grant	0	(1,945)
Grants Under £1.5m	(7,671)	(6,383)
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>(38,744)</b>	<b>(22,759)</b>
<b>Credited to Services (Grants and Contributions)</b>		
Adult and Community Learning	(1,818)	(2,299)
Dedicated Schools Grant	(219,537)	(217,305)
Discretionary Housing Payments	0	(1,698)
DWP Subsidy Administration Grant	0	(3,377)
Housing and Council Tax (Benefit and Subsidy)	(260,071)	(261,925)
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	(1,727)	(1,727)
Public Health Grant	(29,165)	(26,437)
Pupil Premium	(15,916)	(15,588)
Universal Infant Free School Meals	(2,673)	(1,375)
YPLA (LSC) 6th Form Grant	(6,359)	(5,950)
Other Government Grants - Revenue (under £1.5m)	(10,154)	(9,121)
Other non -Government Grants - Revenue	(656)	(113)
Better Care Fund - S75 Pooled Budget	(19,546)	0
Contributions from Health Authorities	(6,880)	(11,606)
Schools - Catering, Facilities & Services	(9,207)	(11,796)
Schools-Income from other Local Authorities	0	(2,450)
Section 106	(2,490)	(1,738)
Other Contributions under £1.5m	(5,971)	(3,622)
<b>Total Credited to Services (Grants and Contributions)</b>	<b>(601,830)</b>	<b>(587,788)</b>
<b>Grand Total</b>	<b>(640,574)</b>	<b>(610,547)</b>

## 12b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16: -

Credited to Taxation and Non Specific Grant Income	2015/16 £'000	2014/15 £'000
British Gas Carbon Saving	(3,502)	
Transport for London	(3,038)	(4,198)
Section 20 Receipts	(7,296)	(5,403)
Standard Fund	(15,662)	(17,621)
Outer London Fund	(22)	(175)
S106 developers' contributions	(2,690)	(2,173)
Other Grants - Capital (under £1.5m)	(1,003)	(805)
Decent Homes Backlog Funding	(23,284)	(52,016)
Heritage Lottery Fund	(213)	(175)
<b>Total Taxation and Non Specific Grant Income</b>	<b>(56,710)</b>	<b>(82,564)</b>

Credited to Services	2015/16 £'000	2014/15 £'000
Heritage Lottery Fund	(289)	(387)
Transport for London	0	(8)
Standards Fund	(8,215)	(6,935)
S106 developers' contributions	(2,590)	(2,460)
Other Grants-Capital (under 1.5m)	(805)	(676)
<b>Total Credited to Services</b>	<b>(11,899)</b>	<b>(10,466)</b>
<b>Grand Total</b>	<b>(68,609)</b>	<b>(93,031)</b>

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

	2015/16 £'000	2014/15 £'000
Capital grants and Contributions – other (see note 12b)	(56,710)	(82,564)
Council Tax income	(97,515)	(93,507)
NNDR Retained Income	(34,960)	(33,381)
Revenue Support Grant	(87,180)	(119,880)
Top-Up grant – business rates retention scheme	(65,368)	(64,142)
Other Non service related grants (see note 12a)	(38,744)	(22,759)
<b>Taxation and Non-Specific Grant Income</b>	<b>(380,477)</b>	<b>(416,233)</b>

## 13. 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 2016 unless otherwise stated.

## Central Government

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

balance sheet respectively. Other amounts due to or from central government at the relevant balance sheet dates are included in the figures in notes 16 and 17.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. During 2015/16 £5,917,820 (£7,246,044 2014/15) was paid to organisations in which 19 members (16 members in 2014/15) 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 £13,217,677 (£14,724,474 in 2014/15) to Western Riverside Waste Authority in respect of waste disposal charges and £1,763,470 (2014/15 £1,754,263) in respect of levies.

Amounts due to or from other local authorities at the relevant balance sheet dates are included in the figures in notes 16 and 17. The Council had deposits at 31 March 2016 with other local authorities of £25,000,000 (£85,000,000 in 2014/15).

The Council has borrowing (including accrued interest) of £419,592,685 (£419,592,685 in 2014/15) with the Public Works Loan Board (PWLB). Interest payable on these loans was £22,999,110 (£23,064,853 2014/15). The Waste Authority and PWLB are under common control of central government.

The Council paid £5,541,401 (£23,843,000 in 2014/15) to Lambeth Living Ltd (a subsidiary of the Council) in respect of management fees. Further information is given in Note 7. Lambeth Living Ltd ceased trading in June 2015.

Material transactions with the Pension Fund are disclosed in the Pension Fund accounts. The Fund owed the Council £9.5m as at 31 March 2016 (£7.3m as at 31 March 2015). 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 £1m for expenses incurred in administering the fund. Details are in the Pension Fund Accounts.

## NOTES TO THE BALANCE SHEET

### 14a. Property, Plant and Equipment

Balances at 31 March	Council Dwellings		Other Land and Buildings		Vehicles, Plant, Furniture & Equipment		Infrastructure Assets		Community Assets		Surplus Assets		Assets Under Construction		Total	
	£'000		£'000		£'000		£'000		£'000		£'000		£'000		£'000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
Cost or Valuation	2,169,388	1,998,860	1,168,623	967,183	85,684	81,891	210,109	195,366	11,640	13,495	55,306	11,116	24,605	6,345	3,725,355	3,274,256
Accumulated Depreciation	(15)	(50)	(5,498)	(5,171)	(66,367)	(61,107)	(61,472)	(52,512)	(292)	(702)	0	(88)	0	0	(133,644)	(119,630)
<b>Carrying Amount</b>	<b>2,169,373</b>	<b>1,998,810</b>	<b>1,163,125</b>	<b>962,012</b>	<b>19,317</b>	<b>20,784</b>	<b>148,637</b>	<b>142,854</b>	<b>11,348</b>	<b>12,793</b>	<b>55,306</b>	<b>11,028</b>	<b>24,605</b>	<b>6,345</b>	<b>3,591,711</b>	<b>3,154,626</b>

Owned	2,130,462	1,968,506	1,121,489	938,680	7,249	15,144	148,637	130,537	11,171	12,793	55,306	11,028	24,605	6,345	3,498,919	3,083,033
Finance Lease	0	0	0	0	103	5,640	0	0	0	0	0	0	0	0	103	5,640
PFI	38,911	30,304	41,636	23,332	11,965	0	0	12,317	177	0	0	0	0	0	92,689	65,953
<b>Carrying Amount</b>	<b>2,169,373</b>	<b>1,998,810</b>	<b>1,163,125</b>	<b>962,012</b>	<b>19,317</b>	<b>20,784</b>	<b>148,637</b>	<b>142,854</b>	<b>11,348</b>	<b>12,793</b>	<b>55,306</b>	<b>11,028</b>	<b>24,605</b>	<b>6,345</b>	<b>3,591,711</b>	<b>3,154,626</b>

Movements in Carrying Amount	Council Dwellings		Other Land and Buildings		Vehicles, Plant, Furniture & Equipment		Infrastructure Assets		Community Assets		Surplus Assets		Assets Under Construction		Total	
	£'000		£'000		£'000		£'000		£'000		£'000		£'000		£'000	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
<b>At 1 April</b>	<b>1,998,810</b>	<b>1,586,523</b>	<b>962,012</b>	<b>632,292</b>	<b>20,784</b>	<b>23,689</b>	<b>142,854</b>	<b>134,614</b>	<b>12,793</b>	<b>9,621</b>	<b>11,028</b>	<b>24,901</b>	<b>6,345</b>	<b>61,395</b>	<b>3,154,626</b>	<b>2,473,035</b>
Reclassifications	(3,297)	65,011	(3,396)	(3,422)	0	0	0	0	(3,312)	4,455	10,005	5,300	0	(71,344)	0	0
Additions	88,689	102,801	19,533	40,489	3,793	6,249	14,743	18,074	1,687	3,188	(0)	0	18,260	21,528	146,705	192,329
Revaluations	131,179	289,385	204,810	311,220	0	0	0	0	333	(4,278)	35,316	(11,314)	0	0	371,638	585,013
Depreciation	(23,679)	(20,735)	(11,128)	(14,036)	(5,260)	(9,154)	(8,960)	(8,522)	(153)	(193)	(148)	(522)	0	0	(49,328)	(53,162)
Impairments	(3,750)	(8,042)	(1,283)	(315)	0	0	0	(1,312)	0	0	(95)	0	0	(5,235)	(5,128)	(14,904)
Disposals and Decommissioning	(18,579)	(16,133)	(7,423)	(3,709)	0	0	0	0	0	0	0	(6,442)	0	0	(26,002)	(26,284)
Assets reclassified (to) / from Held for Sale	0	0	0	(507)	0	0	0	0	0	0	(800)	(895)	0	0	(800)	(1,402)
<b>At 31 March</b>	<b>2,169,373</b>	<b>1,998,810</b>	<b>1,163,125</b>	<b>962,012</b>	<b>19,317</b>	<b>20,784</b>	<b>148,637</b>	<b>142,854</b>	<b>11,348</b>	<b>12,793</b>	<b>55,306</b>	<b>11,028</b>	<b>24,605</b>	<b>6,345</b>	<b>3,591,711</b>	<b>3,154,626</b>

## 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:

	2015/16 Software Licences £'000	2014/15 Software Licences £'000
<b>Balance at start of year:</b>	<b>6,320</b>	<b>4,342</b>
· Gross carrying amounts	<b>10,577</b>	<b>8,255</b>
· Accumulated amortisation	<b>(4,257)</b>	<b>(3,913)</b>
<b>Net carrying amount at start of year</b>	<b>6,320</b>	<b>4,342</b>
Additions:		
· Purchases	<b>1,484</b>	<b>2,322</b>
· Amortisation for the period	<b>(444)</b>	<b>(344)</b>
<b>Net carrying amount at end of year</b>	<b>7,360</b>	<b>6,320</b>
<b>Comprising:</b>		
· Gross carrying amounts	<b>12,061</b>	<b>10,577</b>
· Accumulated amortisation	<b>(4,701)</b>	<b>(4,257)</b>
<b>Balance at end of year</b>	<b>7,360</b>	<b>6,320</b>

## 14c. Rolling Revaluation

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

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## 14d. Capital Expenditure and Capital Financing

Capital Financing Requirement	2015/16 £'000	2014/15 £'000
<b>Opening Capital Financing Requirement</b>	<b>580,145</b>	<b>606,697</b>
<i>Capital Investment</i>		
Property, Plant and Equipment	<b>146,705</b>	<b>192,329</b>
Heritage Assets	<b>31</b>	<b>15</b>
Intangible Assets	<b>1,483</b>	<b>2,322</b>
Revenue Expenditure Funded from Capital under Statute	<b>14,172</b>	<b>12,746</b>
<b>Sources of Finance</b>		
Capital Receipts Recycled 141	<b>(9,033)</b>	<b>(125)</b>
Capital Receipts	<b>0</b>	<b>(34,730)</b>
Government grants and other contributions	<b>(34,506)</b>	<b>(29,593)</b>
Decent Homes	<b>(23,284)</b>	<b>(52,016)</b>
Major Repairs Reserve	<b>(32,348)</b>	<b>(28,268)</b>
S106 contributions	<b>(5,280)</b>	<b>(4,628)</b>
Direct revenue contributions	<b>(316)</b>	<b>(89)</b>
Sums set aside from revenue	<b>(3,227)</b>	<b>(17,918)</b>
MRP / loans principal	<b>(3,866)</b>	<b>(11,121)</b>
Capital Receipts set aside – regulation 23 (b)	<b>0</b>	<b>(55,476)</b>
<b>Closing Capital Financing Requirement</b>	<b>630,676</b>	<b>580,145</b>
<b>Explanation of movements in year</b>		
Increase (decrease) in underlying need to borrow	<b>44,274</b>	<b>(58,001)</b>
Assets acquired under PFI/PPP contracts	<b>6,257</b>	<b>31,449</b>
<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>50,531</b>	<b>(26,552)</b>

#### 14e. Capital Commitments

	31 March 2016 £'000	31 March 2015 £'000
Children and Health	57,722	53,672
Corporate Resources	446	0
Neighbourhoods and Growth	94,674	83,416
<b>Total</b>	<b>152,842</b>	<b>137,088</b>

As at 31st March 2016, the authority has entered into a number of contracts for the construction of Plant, Property and Equipment in 2015-16 and future years budgeted to cost £154m. Similar commitments as at 31 March 2014 were £137m. The major commitments are:

- Construction of Woodmansterne Secondary School £26m
- The Lambeth Housing standards external works to Roupell Park estate £8m
- Provision of LED street lighting £6m
- Expansion of Paxton Primary School £6m
- Expansion of Woodmansterne primary school £6m
- Expansion of Sudbourne primary School £6m
- The South Lambeth Affordable Housing project £5m

#### 14f. Assets Held for Sale

	Current 2015/16 £'000	2014/15 £'000
<b>Balance outstanding at start of year</b>		
Assets newly classified as held for sale:		
• Property, Plant and Equipment	800	1,402
Assets sold	0	(1,402)
<b>Balance outstanding at year-end</b>	<b>800</b>	<b>0</b>

#### 14g. Heritage Assets

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

- **Historic Buildings** - The Brixton Windmill, built in the 19<sup>th</sup> 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

31 March	2016 £'000	Non-Current 2015 £'000	2016 £'000	Current 2015 £'000
Bank overdraft	0	0	0	(26,247)
Rents	0	0	(6,124)	(6,124)
Right to buy service charges	0	0	(2,161)	(2,161)
Other payables	0	0	(124,014)	(113,245)
Short-term Borrowing – PWLB	0	0	(6,876)	(6,876)
Short-term Borrowing – IFRIC 12	0	0	(4,398)	(2,843)
Long-term Borrowing – PWLB	(412,717)	(412,717)	0	0
Long-term creditors – IFRIC12	(107,226)	(105,752)	0	0
<b>Total Financial Liabilities at Amortised Cost</b>	<b>(519,943)</b>	<b>(518,469)</b>	<b>(143,573)</b>	<b>(157,497)</b>
Rents	0	0	7,472	5,924
Right to buy service charges	0	0	2,117	2,455
s20 works	0	0	23,510	20,745
Other receivables	0	0	77,290	94,567
Pension Fund	0	0	9,629	7,149
Long-term Debtors	397	410	0	0
Investments	0	5,048	216,118	152,454
<b>Total Loans and Receivables</b>	<b>397</b>	<b>5,458</b>	<b>336,136</b>	<b>283,294</b>

In 2014/15 the bank overdraft was arising as a result of equal and offsetting entries in separate accounts. For 2015/16, this has been deemed to be "management of balances", and not essentially an overdraft.

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

Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors. The short-term investments amount to £216.1m at 31 March 2016 and £152.5m at 31 March 2015.

#### 15b. Impairment (credit) losses on receivables

Reconciliation of Allowance for Credit Account (Provision for doubtful debts)	S20 Lease-holders	Rent Debtors	Sundry Debtors	RTB Service charges	Parking Debtors	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance as at 31 March 2014</b>	<b>(1,961)</b>	<b>(13,563)</b>	<b>(10,928)</b>	<b>(1,537)</b>	<b>(8,959)</b>	<b>(36,947)</b>
Write-offs	0	1,452	3,017	179	2,582	7,230
Set up/Release	460	(2,049)	(2,782)	0	(6,383)	(10,754)
<b>Balance as at 31 March 2015</b>	<b>(1,501)</b>	<b>(14,160)</b>	<b>(10,693)</b>	<b>(1,358)</b>	<b>(12,760)</b>	<b>(40,472)</b>
Write-offs	0	1,645	1,700	0	8,119	11,464
Set up/Release	490	(1,611)	1,567	227	(3,500)	(2,827)
<b>Balance as at 31 March 2016</b>	<b>(1,011)</b>	<b>(14,126)</b>	<b>(7,426)</b>	<b>(1,131)</b>	<b>(8,141)</b>	<b>(31,835)</b>

#### 15c. Income, Expense, Gains and Losses

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

	31-Mar-16	31-Mar-15
	£'000	£'000
Interest Receivable	(1,678)	(1,623)
Interest Payable	32,719	32,138
Impairment Loss on loans and receivables	2,825	10,754
	<b>33,866</b>	<b>41,269</b>

#### 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.

	Carrying amount	31 March 2016	Carrying amount	31 March 2015
	£'000	Carrying amount	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<b>Financial Assets – Long-term Investments</b>	<b>0</b>	<b>0</b>	5,048	5,056
<b>Financial liabilities – PWLB debt</b>	<b>(412,717)</b>	<b>(735,949)</b>	(412,717)	(727,039)

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

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

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

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



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

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at 31 March 2016 that this was likely to crystallise. Deposit protection arrangements as outlined in the Council's Treasury Management Strategy will limit any losses that may arise.

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

Category of Customer	Amount at 31.03.2016 £'000	Historical experience of default %	Estimated maximum exposure at 31.03.2016 £'000	Amount at 31.03.2015 £'000	Historical experience of default %	Estimated maximum exposure at 31.03.2015 £'000
Rents	21,598	7.37%	1,591	20,085	11.70	2,349
Right-to-buy service charges	3,249	2.95%	96	3,813	1.66	63
s20 works	24,520	0.00%	0	22,247	6.87	1,528
Other receivables	77,290	10.31%	7,966	94,567	12.68	11,984
	<b>126,657</b>		<b>9,653</b>	<b>140,712</b>		<b>15,924</b>

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 2016 £'000	31 March 2015 £'000
Investments with Banks	73,462	65,588
Investments with Building Societies	110,000	12,000

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) 2015/16	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	6,545	6,944	37,333	2,140	52,962
Over 1 year	1,282	16,566	14,867	0	32,715
<b>Total as at 31 March 2016</b>	<b>7,827</b>	<b>23,510</b>	<b>52,200</b>	<b>2,140</b>	<b>85,677</b>

Aged Analysis of Financial Assets (excl Investments) 2014/15	Rents* £'000	S20 lease-holders £'000	Sundry debt £'000	RTB service charges* £'000	Total £'000
Less than 1 year	5,949	5,279	56,861	2,455	70,544
Over 1 year	1,449	15,467	13,893	0	30,809
<b>Total as at 31 March 2015</b>	<b>7,398</b>	<b>20,746</b>	<b>70,754</b>	<b>2,455</b>	<b>101,353</b>

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

**Liquidity risk:** The Council's policy of maintaining sufficient liquidity to cover three months' worth of expenditure is monitored on a weekly basis. Additionally, it has access to instant cash accounts with its banks and ready access to borrowing from



the PWLB. It has been able to meet its day to day commitments as they fall due and has had no need to raise funding from PWLB in the last 5 years.

#### 15i. Analysis by Maturity

Book Value at	31 March 2016 £'000	31 March 2015 £'000
Maturing in 1 to 10 years	63,620	50,799
Maturing in 10 to 20 years	65,025	53,027
Maturing in 20 to 30 years	22,437	40,846
Maturing in 30 to 40 years	99,025	87,951
Maturing in more than 40 years	162,610	180,094
	<b>412,717</b>	<b>412,717</b>

#### Market risk

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

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

Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Comprehensive Income and Expenditure Statement. Based on the amount of cash held in such accounts at 31 March 2016 a 1% change in interest rates would change the interest receivable by £0.23m.

#### 16. Short –Term Debtors by category of counterparty

	31 March 2016 £'000	31 March 2015 £'000
Central government bodies*	5,876	40,489
Other Local Authorities	24,388	28,255
Public Corporations and Trading Funds	266	1
National Health Service Bodies	9,252	16,719
Other Entities and Individuals	123,151	84,048
<b>Total</b>	<b>162,933</b>	<b>169,512</b>

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

	31 March 2016 £'000	31 March 2015 £'000
Central government bodies*	(35,535)	(34,829)
Other Local Authorities	(7,772)	(16,100)
Public Corporations and Trading Funds	(1,495)	(1,127)
National Health Service Bodies	(15,315)	(15,690)
Other Entities and Individuals	(108,939)	(111,271)
<b>Total</b>	<b>(169,058)</b>	<b>(179,017)</b>

\* 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 2016 £'000	31 March 2015 £'000
<b>Government Grants (£500k or more)</b>		
Dedicated Schools Grant	(4,539)	(8,775)
Housing and Council Tax (Benefit and Subsidy)	(3,883)	0
LSC - Adult & Community Learning	(909)	(714)
S31 NDR Retail relief	(962)	(527)
New Homes Bonus Scheme	(2,679)	0
<b>Government Grants (under £500k)</b>	<b>(1,486)</b>	<b>(1,642)</b>
<b>Government Grants Subtotal</b>	<b>(14,458)</b>	<b>(11,658)</b>
<b>Non-Government Grants</b>	<b>(201)</b>	<b>(93)</b>
<b>Total Revenue Grant Receipts in Advance</b>	<b>(14,659)</b>	<b>(11,751)</b>

## 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 2016 £'000	31 March 2015 £'000
Transport for London	(14)	(42)
Developers' contribution	(15,240)	(14,071)
Standard Fund	(5,612)	(17,720)
Other Grant	(1,147)	(2,320)
<b>CURRENT LIABILITIES</b>	<b>(22,013)</b>	<b>(34,153)</b>
Developers' contribution	(11,508)	(4,861)
Standard Fund	(286)	(291)
Other Grant	(3,045)	(1,217)
<b>NON-CURRENT LIABILITIES</b>	<b>(14,839)</b>	<b>(6,369)</b>
<b>Total Capital Grants Receipts in Advance</b>	<b>(36,852)</b>	<b>(40,522)</b>

## 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 2015/16 are as follows:

2015/16 DSG	Central Expenditure £000s	Individual Schools Budget £000s	Total £000s
Final DSG for 2015/16 before Academy recoupment			(264,768)
<b>Less:</b> Academy Figure recouped for 2015/16			48,894
Total DSG after Academy recoupment for 2015/16			<b>(215,874)</b>
<b>Plus:</b> Brought forward from 2014/15			(8,776)
<b>Less:</b> Carry-forward to 2016/17 advance			2,282
Agreed Initial Budgeted Distribution 2015/16	(39,758)	(182,610)	(222,368)
In-year Adjustments:	0	0	0
<b>Less:</b> 2014/15 Early Years Block adjustment made in 2015/16	0	396	396
Final budgeted distribution for 2015/16	<b>(39,758)</b>	<b>(182,214)</b>	<b>(221,972)</b>
<b>Less:</b> Actual Central expenditure	44,415	0	44,415
<b>Less:</b> CLA Deducted at Source	178	0	178
<b>Add:</b> VAT input reimbursed for CLA	(30)	0	(30)
<b>Less:</b> Actual ISB deployed to schools	0	172,870	172,870
<b>Plus:</b> Local Authority Contribution for 2015/16	0	0	0
<b>Carried forward to 2016/17</b>	<b>4,805</b>	<b>(9,344)</b>	<b>(4,539)</b>

## 21a. Leases – Authority as Lessee

(i) The Authority had one building under a **Finance Lease arrangement** (Olive Morris House), but the freehold for the land and building has now been brought, so the Finance Lease Arrangement for Olive Morris House will be written out of the Statements. It was carried on the Council's balance sheet as Other Land and Buildings at a value of £3,250k. Therefore there are no remaining future liabilities in regards to the Finance Lease.

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

	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	3,805	3,238
Later than one year and not later than five years	8,092	9,872
Later than five years	2,743	3,049
	<b>14,640</b>	<b>16,159</b>

The leases relate to land, buildings, and vehicles, and are charged to the relevant service line in the Comprehensive Income and Expenditure Statement. The total expenditure in 2015/16 was £3.844m, comprising £3.805m Minimum Lease Payments (£3.679m in 2014/15) and £0.039m (£0.165m in 2014/15) Contingent Rental.

## 21b. Leases – Authority as Lessor

(i) The Council has leased out three properties in the borough on a **finance lease** (Brixton Enterprise Centre, Gothic Lodge and The Young Vic Theatre). The Council's gross investment in the leases of £2.25m (£2.28m in 2014/15), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2014/15).

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 2016 £'000	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000
Not later than one year	30	30	10	11
Later than one year and not later than five years	119	119	34	36
Later than five years	2,102	2,133	110	117
	<b>2,251</b>	<b>2,281</b>	<b>154</b>	<b>164</b>

Of the total of £2,251k, the element of unearned finance income was £1,829k, with £421k going towards repayment of the lease debtor (£1,858k and £423k in 2014/15). 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 2016 £'000	31 March 2015 £'000
Not later than one year	2,420	1,897
Later than one year and not later than five years	6,729	4,652
Later than five years	15,283	10,145
	<b>24,432</b>	<b>16,694</b>

The total contingent rent relating to these arrangements in 2015/16 was £0.99m (2014/15 £1.08m).

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

The council has recognised six contracts on its Balance Sheet:

The **Home to School** contract provides transport services for children and young people with special needs being educated in the borough. The contract runs until 2017 on the same terms. Payments in 2015/16 were £2.677m.

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 2015/16 amounted to £15.4m.

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 new PFI started in June 2014 and £8.8m of new asset were recognized accordingly and £0.989m of payments were made in 2015/16. 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 2015/16 totalling £2.61m. Currently payments vary only with changes in RPIX and no other factor.

**Lambeth Lighting Services Ltd** provides replacements, upgrades and new installations of street lighting throughout the borough. Payments in 2015/16 amounted to £2.677m and the contract will run until 2031. The authority will take full ownership of all created and refurbished lighting at the end of the contract.

**Myatt's Field North Estate** is being transformed by the construction of 305 new homes, refurbishment of 172 existing homes, and the creation of new streets, play areas and green spaces. The 25 year PFI contract started in 2012, with the construction phase of the project lasting until March 2017. In 2015/16 the value of new assets recognised on the balance sheet was £6.3m, with a total value of £77.2m recognised since the start of the contract. Payments on this contract in 2015/16 were £9.75m. 357 homes will be sold; the council will retain ownership.

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

	Lilian Baylis £'000	Norwood Hall £'000	Waste Fleet £'000	Home 2 School £'000	Lambeth Lighting £'000	Myatts Field North £'000	Total £'000
<b>1 April 2015</b>	<b>24,668</b>	<b>14,396</b>	<b>5,640</b>	<b>0</b>	<b>12,317</b>	<b>31,019</b>	<b>88,040</b>
Additions	232	0	920	0	84	7,024	8,260
Revaluations	2,784	0	0	0	0	1,940	4,724
Depreciation	(316)	(436)	(1,880)	0	(352)	(373)	(3,357)
<b>31 March 2016</b>	<b>27,368</b>	<b>13,960</b>	<b>4,680</b>	<b>0</b>	<b>12,049</b>	<b>39,610</b>	<b>97,667</b>

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

	Lilian Baylis £'000	Lambeth Lighting £'000	Norwood Hall £'000	Home to School £'000	Waste Mgt £'000	Myatts Field North £'000	Sub-Total £'000	Finance Lease* £'000	Total £'000
<b>1 April 2014</b>	<b>(10,803)</b>	<b>(9,987)</b>	<b>(0)</b>	<b>(913)</b>	<b>0</b>	<b>(59,315)</b>	<b>(81,018)</b>	<b>(385)</b>	<b>(81,403)</b>
Liability in year	0	0	(8,559)	0	(3,202)	(17,635)	(29,396)	0	(29,396)
Payments in year	250	587	0	156	144	1,066	2,203	1	2,204
<b>31 March 2015</b>	<b>(10,553)</b>	<b>(9,400)</b>	<b>(8,559)</b>	<b>(757)</b>	<b>(3,058)</b>	<b>(75,884)</b>	<b>(108,211)</b>	<b>(384)</b>	<b>(108,595)</b>
Liability in year	0	0	0	0	0	(6,256)	(6,256)	384	(5,872)
Payments in year	304	600	226	242	197	1,275	2,844	0	2,844
<b>31 March 2016</b>	<b>(10,249)</b>	<b>(8,800)</b>	<b>(8,333)</b>	<b>(515)</b>	<b>(2,861)</b>	<b>(80,865)</b>	<b>(111,623)</b>	<b>0</b>	<b>(111,623)</b>

**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 2016 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	360	1,519	840	187	2,906	609	756	1,182	85	2,632
2-5 years	1,938	6,165	3,578	688	12,369	2,459	2,554	5,050	478	10,541
6-10 years	3,349	7,350	5,000	1,584	17,283	3,174	2,074	7,127	823	13,198
11-15 years	4,602	5,682	4,198	966	15,448	2,558	642	7,665	1,486	12,351
16-20 years	0	0	0	0	0	0	0	0	0	0
21-25 years	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>10,249</b>	<b>20,716</b>	<b>13,616</b>	<b>3,425</b>	<b>48,006</b>	<b>8,800</b>	<b>6,026</b>	<b>21,024</b>	<b>2,872</b>	<b>38,722</b>

	Waste Management				Myatts Field North			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	273	1,147	15,995	17,415	2,552	5,435	2,508	10,495
2-5 years	2,588	3,458	68,079	74,125	11,805	20,355	10,923	43,083
6-10 years	0	0	0	0	17,119	21,287	17,985	56,391
11-15 years	0	0	0	0	19,053	14,481	26,021	59,555
16-20 years	0	0	0	0	26,006	8,510	28,634	63,150
21-25 years	0	0	0	0	4,330	1,654	4,837	10,821
<b>Total</b>	<b>2,861</b>	<b>4,605</b>	<b>84,074</b>	<b>91,540</b>	<b>80,865</b>	<b>71,722</b>	<b>90,908</b>	<b>243,495</b>

	Home To School				Norwood Hall			
	Liability £'000	Interest £'000	Service £'000	Total £'000	Liability £'000	Interest £'000	Service £'000	Total £'000
Within 1 year	374	340	1,980	2,694	230	580	171	981
2-5 years	141	103	677	921	1,046	2,362	769	4,177
6-10 years	0	0	0	0	1,642	3,004	1,190	5,836
11-15 years	0	0	0	0	1,702	2,757	2,013	6,472
16-20 years	0	0	0	0	1,697	2,386	2,823	6,906
21-25 years	0	0	0	0	2,016	2,088	1,807	5,911
<b>Total</b>	<b>515</b>	<b>443</b>	<b>2,657</b>	<b>3,615</b>	<b>8,333</b>	<b>13,177</b>	<b>8,773</b>	<b>30,283</b>

## 23. Provisions

Description	31 March 2015 £'000	Additional provision £'000	Utilised £'000	Released £'000	31 March 2016 £'000
Dilapidations GF	(306)	0	85	0	(221)
Framework Provision	(329)	0	0	329	0
GLL VAT Provision	(672)	0	43	629	0
Insurance Fund GF	(3,162)	(1,501)	1,162	0	(3,501)
NNDR Provision for Appeals	(6,513)	(1,842)	0	0	(8,355)
Single Status Provision	(1,598)	(210)	1,132	0	(676)
VPRS Provision GF	0	(3,578)	0	0	(3,578)
Small Provisions	(490)	(418)	0	190	(718)
Disputes	0	(1,408)	0	0	(1,408)
<b>Sub-Total GF Provisions</b>	<b>(13,070)</b>	<b>(8,957)</b>	<b>2,422</b>	<b>1,148</b>	<b>(18,457)</b>
Insurance Fund HRA	(2,390)	(747)	503	0	(2,634)
Litigation Provision	(2,322)	(1,000)	0	0	(3,322)
URH Pension Liability	(253)	0	253	0	0
VPRS Provision HRA	0	(800)	0	0	(800)
<b>Sub-Total HRA Provisions</b>	<b>(4,965)</b>	<b>(2,547)</b>	<b>756</b>	<b>0</b>	<b>(6,756)</b>
<b>Total Council Provisions</b>	<b>(18,035)</b>	<b>(11,504)</b>	<b>3,178</b>	<b>1,148</b>	<b>(25,213)</b>

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.

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

2014/15 Description	Less than one year £'000	Between one year and five years £'000	Greater than five years £'000	Balance at 31 March 2015 £'000
Dilapidations	(306)	0	0	(306)
GLL VAT Provision	(672)	0	0	(672)
Insurance fund GF	(1,686)	(1,476)	0	(3,162)
Land Charge Claims	(340)	0	0	(340)
Provision for Appeals	(6,513)	0	0	(6,513)
Single Status Provision	(1,598)	0	0	(1,598)
Social Care Provisions	(479)	0	0	(479)
<b>Sub-Total GF Provisions</b>	<b>(11,594)</b>	<b>(1,476)</b>	<b>0</b>	<b>(13,070)</b>
Insurance Fund HRA	(1,243)	(1,147)	0	(2,390)
Litigation Provision	(2,322)	0	0	(2,322)
URH Pension Liability	(253)	0	0	(253)
<b>Sub-Total HRA Provisions</b>	<b>(3,818)</b>	<b>(1,147)</b>	<b>0</b>	<b>(4,965)</b>
<b>Total Council Provisions</b>	<b>(15,412)</b>	<b>(2,623)</b>	<b>0</b>	<b>(18,035)</b>

## 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 2016 which have not yet been lodged as it has not been possible to quantify this amount. However, the Council's share of the cost of such appeals is not expected to be material.

## 25. Pensions Schemes Accounted for as Defined Contribution Schemes

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

Teachers employed by the authority are members of the **Teachers' Pension Scheme**, administered by the Department for Education. The Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. In 2015/16 the Council paid £8.3m to the TPA (£7.03m in 2014/15), representing 15.4% of pensionable pay (14.1% in 2014/15). The contributions due to be paid in the next financial year are estimated to be £8.38m in 2016/17 or 16.48% of pensionable pay. For 2015/16 the Council made contributions to the **NHS Pension Scheme** of £3K (£26K in 2014/15), representing 14% of pensionable pay.

### 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. The Council had previously agreed to meet the pension liability relating to pre transfer service of staff who previously transferred from the Council to Lambeth Living. Since Lambeth Living ceased in 2015/16, the liability of all Lambeth Living staff has been transferred to the Council, including those who had not previously been part of the Council's pension liability.

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

The liabilities of the LBL Pension Fund and the LPFA Pension Fund attributable to the Council are assessed on an actuarial basis using the projected unit credit method, an estimate of the current value of benefits payable in future years, dependent on assumptions about future mortality rates, salary levels etc. The London Borough of Lambeth 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 2013.

	2015/16			2014/15		
	Scheme Assets	Pensions Obligations	Net Pensions Liability	Scheme Assets	Pensions Obligations	Net Pensions Liability
	£000	£000	£000	£000	£000	£000
<b>Opening Balance at 1 April</b>	<b>(1,148,538)</b>	<b>1,915,577</b>	<b>767,039</b>	<b>(1,065,919)</b>	<b>1,657,819</b>	<b>591,900</b>
Current Service Cost	0	38,452	38,452	0	27,342	27,342
Past Service cost and gains/losses on curtailments	0	7,500	7,500	0	643	643
Interest Income and Expense	(37,690)	61,472	23,782	(45,093)	70,755	25,662
Admin Expense	99		99			
<b>Remeasurements</b>						
• Return on Plan Assets	(18,912)	(2,460)	(21,372)	(39,307)	(19,162)	(58,469)
• Actuarial Gains and Losses arising from changes in demographic assumptions	0	0	0	0	228,587	228,587
• Actuarial Gains and Losses from changes in Financial Assumptions	0	(165,267)	(165,267)	0	0	0
<b>Contributions</b>						
• The Council	(51,086)	0	(51,086)	(48,626)	0	(48,626)
• Employees	(8,872)	8,872	0	(8,153)	8,153	0
<b>Payments</b>						
• Retirement Grants and Pensions	59,019	(59,019)	0	58,560	(58,560)	0
<b>Closing Balance at 31 March</b>	<b>(1,205,980)</b>	<b>1,805,127</b>	<b>599,147</b>	<b>(1,148,538)</b>	<b>1,915,577</b>	<b>767,039</b>

A change in any of the key assumptions can have a significant impact upon the size of the Council's pension liabilities, which would require the Council during its triennial review to adjust the amount it must pay the Lambeth Pension Fund. In 2015/16, this was equivalent to 16.8% of employee pay. The biggest risks include an increase in member life expectancy, salary and pension accumulation rate or a decrease in the real discount rate, which would have an impact on the Council's liability to the Pension Fund.

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

The principal assumptions used by the actuaries have been:

	LPFA		Lambeth	
	2015/16	2014/15	2015/16	2014/15
Longevity at 65 for current pensioners: Men	21.3 years	21.3 years	21.7 years	21.7 years
Women	24.4 years	24.4 years	24.0 years	24.0 years
Longevity at 65 for future pensioners: Men	23.8 years	23.6 years	24.3 years	24.3 years
Women	26.8 years	26.7 years	26.6 years	26.6 years
Rate of increase in salaries	3.9%	4.0%	4.2%	4.3%
Rate of increase in pensions(CPI)	2.1%	2.2%	2.2%	2.4%
Rate for discounting scheme liabilities	3.4%	3.0%	3.5%	3.2%

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 30. The Council is responsible for 97% of the assets and liabilities of the Pension Fund, details of which can be found within the Pension Fund notes from Note 60 onwards. The Council's share of the LPFA Asset Breakdown can be found below, but it must be remembered that the Council only represents 1% of the assets.

It must be remembered that the Council only represents 1% of the assets.

Employer Asset Share – Bid Value	31 March 2016		31 March 2015	
	£'000s	%	£'000s	£'000s
Equities	29,373	46	28,690	43
LDI/Cashflow matching	6,409	10	4,963	8
Target Return Portfolio	13,449	22	19,116	29
Infrastructure	3,464	5	3,276	5
Commodities	283	0	615	1
Property	2,256	4	1,874	3
Cash	7,994	13	7,592	11
<b>Total</b>	<b>63,228</b>	<b>100</b>	<b>66,126</b>	<b>100</b>

While there has been a growth in the Council's obligations, the assets have grown faster, leading to a reduction in net obligations to future pensioners. However, this is subject to the risks stated above. If Pension Fund members' longevity was one year greater than anticipated, there would not be any reduction in our net obligations. This demonstrates that Council obligations are a most likely estimate, based on the best evidence that the actuaries have at March 31<sup>st</sup> 2016. Nonetheless, the impact from a small change in fund returns is even greater, so it is important to recognise that this Net Obligation is a professional assessment by the Actuaries and not a definitive figure.

The Council's agreed strategy with the actuary is to achieve a funding level of 100% over 20 years (March 31<sup>st</sup> 2033). Funding levels are monitored annually and the next triennial valuation is due to be completed 31<sup>st</sup> March 2016. The estimated employers' contributions for the year ending 31 March 2017 will be approximately £41,101,000. 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	2015/16 £000	2014/15 £000
<i>Cost of Services</i>		
Current Service Cost	38,452	30,322
Past Service cost and gains/losses on curtailments	7,500	721
Admin Expense	99	97
<i>Financing and Investment Income and Expenditure</i>		
Interest Income and Expense (Net)	23,782	28,425
<b>Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>69,833</b>	<b>59,565</b>
<i>Re-measurements of the Net Defined Benefit Liability</i>		
• Return on Plan Assets	(37,492)	(61,791)
• Actuarial Gains and Losses from changes in Financial Assumptions	(165,267)	237,529
<b>Total Re-measurements Recognised in CIES</b>	<b>(202,759)</b>	<b>175,738</b>
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(132,926)</b>	<b>235,303</b>

## 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 2016 £'000	Balance at 31 March 2015 £'000
Monies Held on behalf of adult care clients	(4,611)	(4,120)
Monies Held on behalf of children in care	(18)	(18)
Wellington Mills - Housing Corporative	(307)	(308)
Others*	(290)	(263)
<b>Total Trust Funds</b>	<b>(5,226)</b>	<b>(4,710)</b>

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

## 28. Accounting Standards Issued but not yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 has introduced a number of changes in accounting standards that are required from 1 April 2016, as set out below.

One of these changes will have a material impact on the Statement of Accounts for London Borough of Lambeth.



**Measurement of the Highways Network Asset at depreciated replacement cost with the introduction of the Highways Network Asset Code.**

This will have a substantial impact on the reported value of Infrastructure in the Property Plant & Equipment note and the total PPE shown in the Balance Sheet with the effect of increasing the Council's net assets offset by an increase in unusable reserves at 31/03/2017. There is no requirement to restate 2015/16 balances.

**NOTES TO THE MOVEMENT IN RESERVES STATEMENT**

**29. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

The note is in the table overleaf.

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

2014/15	Usable Reserves					Unusable Reserves £000s	Relevant Unusable Reserve
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied		
	£000s	£000s	£000s	£000s	£000s		
<b>Adjustments to Revenue Resources</b>							
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	238	0	0		(338)	Financial Instruments Adjustment Account
· Pensions costs	(5,763)	645	0	0	0	5,118	Pensions Reserve
· Council tax	2,172	0	0	0	0	(2,172)	Collection Fund Adjustment Account
· Holiday pay	25	(22)	0	0	0	(3)	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	(344)	0	0	0	0	344	Capital Adjustment Account
· Charges for depreciation and impairment	(30,031)	77,484	0	0	0	(47,453)	
· Revenue expenditure funded from capital under statute	(12,746)	0	0	0	0	12,746	
· Carrying amounts of non-current assets written off on disposal or sale	(5,195)	(20,088)	0	0	0	25,283	
· Capital grant income	30,959	5,403	0	0	(11,261)	(25,101)	
· Movements in the value of investment property							
<b>Transfers between Revenue and Capital Resources</b>							
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve	1,933	41,356	(43,289)	0	0	0	Capital Receipts Reserve
Use of capital receipts for revenue purposes:	0	0	0	0	0	0	
· Administrative costs of non-current asset disposals	0	(297)	297	0	0	0	
· Payments to the Government housing receipts pool	(2,998)	0	2,998	0	0	0	
Posting of HRA resources from revenue to the Major Repairs Reserve	0	81,986	0	(81,986)	0	0	
Statutory revenue provisions for the financing of capital investment	11,121	0	0	0	0	(11,121)	Capital Adjustment Account
Capital expenditure financed from revenue balances	5,667	12,340	0	0	0	(18,007)	
<b>Adjustments to Capital Resources</b>							
Repayments of capital loans and mortgages	0	0	(16)	0	0	16	DCRR
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	34,855	0	0	(34,855)	Capital Adjustment Account
Capital Receipts set Aside – regulation 23 (b)	0	0	55,476	0	0	(55,476)	
Application of S. 106 Receipts to Finance new Capital	4,545	83	0	0	0	(4,628)	
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	80,284	0	(80,284)	
Application of capital grants to finance capital expenditure	0	0	0	0	4,472	(4,472)	
Cash payments in relation to deferred capital receipts	0	0	0	0		0	DCRR
<b>Total Adjustments</b>	<b>(555)</b>	<b>199,128</b>	<b>50,321</b>	<b>(1,702)</b>	<b>(6,789)</b>	<b>(240,403)</b>	

### 30. Usable Reserves

	31 March 2016 £'000	31 March 2015 £'000
General Fund	(22,436)	(23,615)
LMS Balances	(19,663)	(20,465)
Earmarked Reserves – General Fund	(65,712)	(63,784)
Earmarked Reserves - HRA	(41,965)	(26,512)
Housing Revenue Account	(10,746)	(10,037)
Capital Receipts Reserve	(63,554)	(25,773)
Capital Grants Unapplied Account	(58,724)	(53,270)
Major Repairs Reserve	0	(4,829)
<b>Total Usable Reserves</b>	<b>(282,799)</b>	<b>(228,284)</b>

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

**30b. LMS Balance** – Ring-fenced for the local management of schools

	2015/16 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(20,465)</b>	(18,644)
Overspent School Balances	4,340	2,312
Underspent School Balances	(3,538)	(4,295)
	<b>(19,663)</b>	(20,627)
Adjustment for Schools becoming Academies		
Lambeth Alternative Education Pupil Referral Unit	0	163
<b>Balance at 31 March</b>	<b>(19,663)</b>	<b>(20,465)</b>

### 30c. General Fund and Housing Revenue Account Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2015/16.

General Fund Reserves	Balance at 31 March 2015 £'000	Transfers in £'000	Transfers out £'000	Balance at 31 March 2016 £'000
Earmarked Grants & Budget Carry-Forwards	(11,295)	(7,047)	5,071	(13,271)
Information and Communication Technology Investment	(4,446)	0	1,727	(2,719)
Insurance and Risk Management	(10,508)	(125)	4,703	(5,930)
Property and Assets	(20,736)	(910)	8,303	(13,343)
Transformation	(16,800)	(9,529)	12,536	(13,793)
CIL Reserve	0	(16,790)	134	(16,656)
<b>GF Sub-total</b>	<b>(63,784)</b>	<b>(34,401)</b>	<b>32,473</b>	<b>(65,712)</b>
<b>Housing Revenue Account Reserves</b>				
Insurance and Risk Management	(7,259)	(9,300)	311	(16,248)
Property and Assets	(19,253)	(6,464)	0	(25,717)
<b>HRA Sub-total</b>	<b>(26,512)</b>	<b>(15,764)</b>	<b>311</b>	<b>(41,965)</b>
<b>Council Total</b>	<b>(90,296)</b>	<b>(50,165)</b>	<b>32,784</b>	<b>(107,677)</b>

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

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

The **Insurance and Risk Management** reserves set aside funding to meet potential future costs that may fall to the Council. The largest single element, the Insurance Fund, at £4.2m in General Fund and £3.3m in the HRA, is intended to provide the means to self-insurance (thus reducing the expenditure on insurance premiums).

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

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

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

	2015/16 £'000	2014/15 £'000
Balance brought forward 1 April	(25,773)	(76,095)
Capital receipts in year	(50,391)	(43,290)
Use of capital receipts in year		
Payment to CLG – Contribution to pooled capital receipts	3,488	2,998
Disposal costs	101	297
Repayment of mortgage principal	(12)	(14)
Capital Receipts set aside – regulation 23 (a)	0	55,476
Financing of capital expenditure	9,033	34,855
<b>Balance carried forward 31 March</b>	<b>(63,554)</b>	<b>(25,773)</b>

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

	2015/16 £'000	2014/15 £'000
Balance brought forward 1 April	(53,270)	(46,481)
Grants transferred to the account in year	(8,287)	(11,261)
Grants applied to capital expenditure	2,833	4,472
<b>Balance carried forward 31 March</b>	<b>(58,724)</b>	<b>(53,270)</b>

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

	2015/16 £'000	2014/15 £'000
<b>Balance brought forward</b>	<b>(4,829)</b>	<b>(3,127)</b>
Decent Homes Funding	(23,284)	(52,016)
Additional transfer to the Major Repairs Reserve	0	(4,703)
Debits to the MRR in respect of capital expenditure	55,632	80,284
<b>Transfer from HRA equal to depreciation</b>	<b>(27,519)</b>	<b>(25,267)</b>
<b>Total</b>	<b>0</b>	<b>(4,829)</b>

### 31. Unusable Reserves

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

			Adjustments between Accounting and Funding Basis 2014/15				
Unusable Reserve	Opening Balance	Other Comprehensive Income and Expenditure 2014/15	Adjustments to Revenue Resources	Transfers Between Revenue and Capital Resources	Adjustments to Capital Resources	Other Movements*	Closing Balance
	1 April 2014	(CIES)					31 March 2015
	£000	£000	£000	£000	£000	£000	£000
Revaluation Reserve	(246,268)	(467,179)	0	0	0	6,359	(707,089)
Financial Instruments Adjustment Account	2,589	0	(337)	0	0	0	2,252
Pensions Reserve	591,900	170,021	5,118	0	0	0	767,040
Collection Fund Adjustment Account	(10,979)	0	(2,172)	0	0	0	(13,151)
Accumulated Absences Account	4,279	0	(4)	0	0	0	4,275
Capital Adjustment Account	(1,624,333)	0	(9,069)	(29,128)	(204,827)	(6,359)	(1,873,716)
Deferred Capital Receipts	(426)	0	0	0	16	0	(410)
<b>Total</b>	<b>(1,283,238)</b>	<b>(297,158)</b>	<b>(6,464)</b>	<b>(29,128)</b>	<b>(204,811)</b>	<b>0</b>	<b>(1,820,800)</b>

**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 2016 will be charged to the General Fund over the next 11 years and to the HRA for the next four years.

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

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

## NOTES TO THE CASH FLOW STATEMENT

### 32. Investing Activities

	2015/16 £'000	2014/15 £'000
Purchase of property, plant and equipment, investment property and intangible assets	134,422	160,728
Purchase of short-term and long-term investments	241,000	446,000
Proceeds from the sale of property, plant and equipment and intangible assets	(50,391)	(43,305)
Proceeds from short-term and long-term investments	(183,000)	(550,530)
Other receipts from investing activities	(64,884)	(67,498)
<b>Net cash flows from investing activities</b>	<b>77,147</b>	<b>(54,605)</b>

### 33. Financing Activities

	2015/16 £'000	2014/15 £'000
Cash receipts of short and long-term borrowing	(1)	
Council Tax and NNDR adjustments	(1,384)	(2,145)
Other receipts from financing activities		
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,844	4,551
Repayments of short- and long-term borrowing	0	0
<b>Net cash flows from financing activities</b>	<b>1,459</b>	<b>2,406</b>

### 34. Operating Activities (Interest)

The cash flows for operating activities include the following items:

	2015/16 £'000	2014/15 £'000
Interest received	(1,062)	(1,975)
Interest paid	32,719	32,073

### 35. Cash and Cash Equivalents

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

	31 March 2016 £'000	31 March 2015 £'000
Cash held by the Authority	53	58
Bank current accounts in current assets	17,471	88,005
Short-term deposits with banks	23,462	30,588
<b>Held within Current Assets</b>	<b>40,986</b>	<b>118,651</b>
Bank overdrafts (Held within current liabilities)	0	(26,247)
<b>Total Cash and Cash Equivalents</b>	<b>40,986</b>	<b>92,404</b>



## 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	2015/16 £'000	2014/15 £'000
<b>Income</b>			
Dwelling rents		(139,090)	(135,933)
Non dwelling rents		(4,239)	(4,094)
Charges for services and facilities		(36,324)	(37,304)
Contributions Towards Expenditure		(1,310)	(1,051)
PFI Credit		(7,729)	(7,729)
		(188,692)	(186,111)
<b>Expenditure</b>			
Repairs and maintenance		28,253	28,622
Supervision and management		77,993	72,924
Rents, rates, taxes and other charges		12,351	12,597
Depreciation of property, plant and equipment	41	27,519	25,267
Impairment / Revaluation loss	41	(26,821)	(102,675)
Debt management expenses		0	109
Increase in Bad Debt Provision		1,365	1,376
		120,660	38,220
<b>Net cost of HRA services included in the Comprehensive Income and Expenditure Statement</b>		(68,032)	(147,890)
HRA share of Corporate and Democratic Core		934	828
<b>Net Expenditure of HRA Services</b>		(67,098)	(147,062)
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>			
Interest payable and similar charges – other		22,477	20,970
Gain or Loss on disposal		(18,307)	(20,972)
Interest and investment income		(544)	(30)
Capital Grants and Contributions - other		(34,706)	(57,503)
<b>(Surplus)/Deficit for the year on HRA services</b>		(98,178)	(204,597)

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

	2015/16 £'000	2014/15 £'000
Balance on the HRA at the end of the previous year	(10,037)	(7,843)
(Surplus) or deficit for the year on the HRA Income & Expenditure Statement	(98,178)	(204,597)
Adjustments Between Accountancy Basis and Funding Basis under Statute	82,016	199,127
Net (Increase) or Decrease before Transfers to or from Reserves	(16,162)	(5,470)
Transfers to or (from) Reserves (see Note 30c)	15,453	3,276
(Increase) or Decrease in year on the HRA	(709)	(2,194)
Balance on the HRA at the end of the current year	(10,746)	(10,037)

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

	2015/16 £'000	2014/15 £'000
<b>Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year</b>		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	234	238
<b>Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:</b>		
Impairments / Revaluation loss	26,821	102,751
Capital Grants and Contributions	34,202	57,420
S106 Reversal	504	83
Depreciation of non-current assets	(27,519)	(25,267)
Carrying amount of non-current assets disposed of	(18,785)	(20,088)
Mitigation of accumulated absences provision	(163)	(22)
Net charges made for retirement benefits in accordance with IAS 19	(6,425)	(829)
<b>Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:</b>		
Capital expenditure financed from revenue balances	0	12,340
Minimum Revenue Provision	0	0
Transfer to Major Repairs Reserve	27,519	29,970
Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets	37,092	41,060
Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners	8,536	1,474
<b>Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves</b>	<b>82,016</b>	<b>199,127</b>

### 37. Housing stock

	31 March 2016	31 March 2015
Flats	19,964	20,345
Houses	3,907	3,977
Multi-occupied	174	133
Shared ownership	0	0
<b>Total</b>	<b>24,045</b>	<b>24,455</b>

### 38. HRA assets

	31 March 16 £'000	31 March 15 £'000
Council dwellings	2,169,373	1,998,810
Other Land & Buildings	291,682	109,620
Community Assets	177	150
Surplus	5,314	4,136
Assets held for sale	0	22
Vehicles, Plant & Equipment	5,779	1,673
Assets under Construction	1,140	273
Intangibles	302	17
<b>TOTAL</b>	<b>2,486,479</b>	<b>2,114,700</b>

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

#### 40. Capital expenditure, financing and receipts

	2015/16 £'000	2014/15 £'000
<b>HRA capital expenditure</b>		
Works to dwellings	82,432	102,802
Other Land & Buildings	266	66
Vehicles, Plant & Equipment	169	326
Intangible Assets	302	0
Assets Under Construction	1,191	0
Revenue funded from capital under statute	1,095	0
	<b>85,455</b>	<b>103,194</b>
<b>Financing of capital expenditure</b>		
Borrowing	22,049	9,813
Usable Capital Receipts	3,648	634
Major Repairs Reserve less Decent Homes	32,348	28,268
Grants (including Decent Homes)	26,906	52,139
S106	504	0
Reserves / Revenue	0	12,340
<b>Total</b>	<b>85,455</b>	<b>103,194</b>

#### 41. Depreciation and impairment

	2015/16 £'000	2014/15 £'000
<b>Depreciation charged for the year</b>		
Operational assets		
- dwellings	23,679	20,731
- other property	3,822	4,389
Non-operational assets		
- dwellings	18	138
- other property	0	9
<b>Total Depreciation</b>	<b>27,519</b>	<b>25,267</b>
<b>Impairments and revaluation losses charged for the year</b>		
Operational assets		
- dwellings	3,789	55,857
- other property	1,525	6,172
	<b>5,314</b>	<b>62,030</b>
<b>Impairment losses reversed</b>		
Operational assets		
- dwellings	(26,024)	(163,992)
- other property	(6,093)	(713)
Non-operational assets		
- dwellings	(18)	0
	<b>(32,135)</b>	<b>(164,708)</b>
<b>Net Impairment</b>	<b>(26,821)</b>	<b>(102,675)</b>

#### 42. Rent arrears

	2015/16 £'000	2014/15 £'000
Arrears as at 31 March	12,969	11,543
Provision for bad debts	(7,740)	(7,756)
<b>Collectable amount</b>	<b>5,229</b>	<b>3,787</b>

#### 43. Vacant Possession Value

The vacant possession value of dwellings within the HRA at 31st March 2016 was £8.850 billion which has been reduced to £2.212 billion to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents.

#### 44. HRA share of contributions to the Pension Reserve

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £6.43m (charge of £829k in 2014/15), as per proper practice. The impact of this on the HRA balance is nullified by means of a reversing entry in the Movement in Reserves Statement.

## COLLECTION FUND

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

COLLECTION FUND	NNDR £000	2015/16 Council Tax £000	Total £000	NNDR £000	2014/15 Council Tax £000	Total £000
<b>INCOME</b>						
Council Tax Receivable		(127,165)	(127,165)		(122,987)	(122,987)
Business Rates Receivable	(121,944)		(121,944)	(122,042)		(122,042)
Transitional Payments	0		0	(376)		(376)
Business Rates Supplement	(3,776)		(3,776)	(3,715)		(3,715)
	(125,720)	(127,165)	(252,885)	(126,133)	(122,987)	(249,120)
<b>EXPENDITURE</b>						
LB Lambeth	36,511	92,275	128,786	36,308	85,284	121,592
Central Government	60,851		60,851	60,514		60,514
Greater London Assembly (GLA)	24,340	28,845	53,185	24,206	27,559	51,765
<b>Business Rates Supplement</b>						
Payment to GLA	3,766		3,766	3,703		3,703
<b>Apportionment of Surplus/Deficit</b>						
LB Lambeth	(76)	5,249	5,173	(200)	3,324	3,124
Central Government	(126)		(126)	(334)		(334)
GLA	(51)	1,696	1,645	(134)	1,088	954
<b>Adjustment between Estimated and Actual Surplus</b>						
LB Lambeth	(871)		(871)			
Central Government	(1,452)		(1,452)			
GLA	(580)		(580)			
<b>Charges to Collection Fund</b>						
Write-offs of uncollectable amounts	921	5,967	6,888	743	2,774	3,517
Write-ons		(759)	(759)		(2,841)	(2,841)
Increase/(Decrease) in Bad Debt Provisions	(1,036)	(5,427)	(6,463)	55	(683)	(628)
Increase/(Decrease) in Provision for Appeals	6,139		6,139	8,854		8,854
Transitional Protection Payments	(1,092)		(1,092)	1,016		1,016
Cost of Collection - Business Rates	481		481	481		481
Cost of Collection - Business Rates Supplement	10		10	12		12
	127,735	127,846	255,581	135,224	116,505	251,729
<b>(Surplus) / Deficit) during year</b>	2,015	681	2,696	9,091	(6,482)	2,609
<b>Collection Fund (Surplus)/Deficit at 31 March 2015</b>	12,662	(22,545)	(9,883)	3,571	(16,063)	(12,492)
<b>Collection Fund (Surplus)/Deficit at 31 March 2016</b>	14,677	(21,864)	7,187	12,662	(22,545)	(9,883)
<b>Analysed by:</b>						
LB Lambeth	4,403	(16,939)	(12,536)	3,799	(16,948)	(13,149)
Central Government	7,339		7,339	6,331		6,331
Greater London Assembly (GLA)	2,935	(4,925)	(1,990)	2,532	(5,597)	(3,065)
<b>Collection Fund (Surplus)/Deficit at 31 March 2016</b>	14,677	(21,864)	(7,187)	12,662	(22,545)	(9,883)

## 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
<b>Apportionment Basis</b>	<b>100%</b>	<b>100%</b>	<b>N/A</b>	<b>50%</b>	<b>77.47%</b>	<b>30%</b>	<b>22.53%</b>	<b>20%</b>
Arrears	31,857	4,312	N/A	2,156	24,681	1,294	7,176	862
Bad Debt Provision	(18,844)	(2,546)	N/A	(1,273)	(14,599)	(764)	(4,245)	(509)
Appeals Provision	N/A	(27,851)	N/A	(13,926)	N/A	(8,355)	N/A	(5,570)
Overpayments & Pre-payments	(7,553)	(15,106)	N/A	(7,553)	(5,852)	(4,532)	(1,701)	(3,021)
(Surplus)/Deficit	(21,865)	14,673	N/A	7,337	(16,940)	4,402	(4,925)	2,935

## NOTES TO THE COLLECTION FUND

### 46. 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 2016, the band D Council Tax was set at £1,238.70 based upon a tax base of 97,780 (for 2014/15, £1,224.29 based upon a tax base of 92,170) and included the £295.00 requirement of the Greater London Authority (£299.00 in 2014/15). The table below shows the calculation of the Council Tax Base for 2015/16.

Valuation Band	Total no. of dwellings on valuation list	Total equivalent dwellings after adjustments	Ratio to Band D	Band D equivalents
A	4,707	2,912	6/9	1,941
B	31,885	19,893	7/9	15,473
C	39,230	29,351	8/9	26,090
D	29,791	23,620	9/9	23,620
E	13,995	11,773	11/9	14,389
F	8,670	7,715	13/9	11,143
G	5,181	4,935	15/9	8,225
H	783	753	18/9	1,506
<b>TOTALS</b>	<b>134,242</b>	<b>100,952</b>		<b>102,387</b>
<b>Adjustment for collection rate</b>				<b>-4,607</b>
<b>Tax base for Council Tax purposes</b>				<b>97,780</b>

**47. National Non-Domestic Rates** are set by Parliament, which specifies an amount, 49.3p in 2015/16 (48.2p in 2014/15) as the standard multiplier and 48.0p as the small business rate multiplier (47.1p in 2014/15). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2015/16 NNDR income is based upon a total rateable value for the borough of £314.9m as at 31 March 2016 (£316.1m at 31 March 2015).

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

In 2015/16, the payment is based upon the 2015/16 estimated collection and 2014/15 surplus/deficit. However, as the 2015/16 NNDR1 is returned before the end of 2014/15, in 2016/17 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.

#### **48. 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.

# LAMBETH PENSION FUND ACCOUNTS 2015-16

## Fund Account, Net Assets, and Notes

FUND ACCOUNT		2015/16 £000	2014/15 £000
Dealing with members, employers and others directly involved in the fund:			
Contributions	7	(54,598)	(54,959)
Transfers in from other pension funds	8	(2,790)	(1,609)
		(57,388)	(56,568)
Benefits	9	50,765	48,381
Payments to and on account leavers	10	3,023	4,720
		53,788	53,101
Net increase in dealing with members, employers and others directly involved in the fund		(3,600)	(3,467)
Management expenses	11	3,378	3,718
Returns on investments:			
Investment Income	12	(32,434)	(31,878)
Tax on Income	13	654	682
Profit and loss on disposal of investments and changes in the market value of investments and currency	14a	26,698	(73,413)
Foreign Exchange gain		(337)	245
Net return on investments		(5,419)	(104,364)
Net increase in the net assets available for benefits during the year		(5,641)	(104,113)
Net Assets of the fund at 1 April		(1,136,276)	(1,032,163)
Net Assets of the fund at 31 March		(1,141,917)	(1,136,276)

NET ASSET STATEMENT	Notes	2015-16 £000	2014-15 £000
Investment Assets	14	1,131,395	1,103,010
Cash Deposits	14	13,333	28,143
		1,144,728	1,131,153
Investment Liabilities			
Current Assets	19	13,612	18,289
Current Liabilities	20	(16,423)	(13,166)
Net assets of the fund available to fund benefits at the period end.		1,141,917	1,136,276

## 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 2015/16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations.

### 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 2009.

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 23 employer organisations within Lambeth Pension Fund including the Lambeth council itself, as detailed below.

Lambeth Pension Fund	31-Mar-16	31-Mar-15
Number of employers with active members	23	23
Number of employees in scheme		
Lambeth council	5,032	4,652
Other employers	346	587
<b>Total</b>	<b>5,378</b>	<b>5,239</b>
Number of pensioners		
Lambeth council	6,746	6,521
Other employers	55	105
<b>Total</b>	<b>6,801</b>	<b>6,626</b>
Deferred pensioners		
Lambeth council	7,994	7,722
Other employers	157	352
<b>Total</b>	<b>8,151</b>	<b>8,074</b>

### 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 2016. Employee contributions are matched by employers' contributions that



are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Currently, employer contribution rates range from 8.8% to 31% 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
<b>Pension</b>	Each year worked is worth 1/80x final pensionable salary.	Each year worked is worth 1/60 x final pensionable salary.
<b>Lump sum</b>	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 Prices 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 County Hall.

#### Note 2: Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, 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.

##### 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 (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) comprising of all realised and unrealised profits/losses is recognised as income.

## **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 pension fund management expenses in Note 11. This is in accordance with the CIPFA guidance on *Accounting for Local Government Pension Scheme Management Costs*.

## **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 on 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.

The cost of the council's in-house fund management team is charged directly to the fund, and a proportion of the council's costs representing management time spent by officers on investment management is 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 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.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other 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 18).

#### **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(2) (b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 21)

## Note 4: Critical Judgements in Applying Accounting Policies

### Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2016 was £47.1m (31 March 2015: £44.3m).

### Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

## 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 2016 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
<b>Actuarial present value of promised retirement benefits</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £167m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £36.8m, and a one-year increase in assumed life expectancy would increase the liability by approximately £52m.
<b>Private equity</b>	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 2016 is £47.1m.	The total (called) private equity investment in the financial statement is £47.1m. 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.
<b>Hedge fund of funds</b>	The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund 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 £68.1m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £3.4m.

## Note 6: Events after the Reporting Date

There have been no events since 31 March 2016, up to the date when these accounts were authorised, that require any adjustments to these accounts.

## Note 7: Contributions Receivable

Category	2015/16 £000	2014/15 £000
Members	9,456	9,430
Employer:		
Normal Contribution	25,142	25,529
Deficit recovery Contribution	20,000	20,000
Total Employer's Contribution	45,142	45,529
<b>Total</b>	<b>54,598</b>	<b>54,959</b>

Authority	2015/16 £000	2014/15 £000
Administering authority	51,921	49,409
Scheduled bodies	1,961	4,811
Admitted bodies	323	466
Community admission body	294	187
Transferee admission body	100	86
<b>Total</b>	<b>54,598</b>	<b>54,959</b>

## Note 8: Transfers In From Other Pension Funds

	2015/16 £'000	2014/15 £'000
Individual Transfer	2,790	1,609
<b>Total</b>	<b>2,790</b>	<b>1,609</b>

## Note 9: Benefits Payable

Category	2015/16 £'000	2014/15 £'000
Pensions	42,479	41,119
Commutation and lump sum retirement benefits	7,525	6,856
Lump sum death benefits	761	406
<b>Total</b>	<b>50,765</b>	<b>48,381</b>

Authority	2015/16 £000	2014/15 £000
Administering authority	50,607	48,079
Scheduled bodies	0	14
Admitted bodies	84	288
Community admission body	74	0
<b>Total</b>	<b>50,765</b>	<b>48,381</b>

**Note 10: Payments To and On Account of Leavers**

	2015/16 £000	2014/15 £000
Refund to members leaving service	141	132
Individual transfers	2,882	4,588
<b>Total</b>	<b>3,023</b>	<b>4,720</b>

**Note 11: Management Expenses**

	2015/16 £000	2014/15 £000
Administrative costs	939	999
Investment management expenses	2,439	2,699
Oversight and governance costs	0	20
<b>Total</b>	<b>3,378</b>	<b>3,718</b>

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

The total management expenses incurred for the year was £6m (2014-15 6.8m) of which only £2.4m 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 (see Note 14a).

**Note 12: Investment Income**

	2015/16 £000	2014/15 £000
Fixed interest Securities	11,901	11,806
Equity dividends	5,793	5,500
Private Equity income	9,603	9,001
Pooled property investments	3,946	4,422
Pooled investments - unit trust and other managed funds	276	957
Interest on cash deposits	132	192
Other	783	
<b>Total</b>	<b>32,434</b>	<b>31,878</b>

**Note 13: Taxes on Income**

	2015/16 £000	2014/15 £000
Tax – equities	565	546
Withholding tax – pooled	89	136
<b>Total</b>	<b>654</b>	<b>682</b>

**Note 14: Investments**

	2015/16 £000	2014/15 £000
Fixed interest securities	326,659	325,857
Equities	151,084	160,800
Pooled Investments	495,733	473,703
Pooled property investments	113,285	101,110
Private equity	47,067	44,309
London CIV	150	0
Cash Instruments	10,072	24,990
Cash	0	384
Investment income due	678	0
<b>Total</b>	<b>1,144,728</b>	<b>1,131,153</b>

The London CIV investment of £150k is a Shareholder Subscription paid in the financial year.

**Note 14a: Reconciliation of Movements in Investments**

	Market value 1 April 2015  £000	Purchases during the year  £000	Sales during the year  £000	Movement in cash during the year  £000	Change in market value during the year  £000	Market value 31 March 2016  £000
Fixed interest securities	325,857	11,901	(3)		(11,096)	326,659
Equities	160,800	73,416	(68,311)	(30)	(14,791)	151,084
Pooled Investments	473,703	60,650	(30,374)		(8,246)	495,733
Pooled property investments	101,110				12,175	113,285
Private equity	44,309	7,498			(4,740)	47,067
London CIV		150				150
Cash instruments	24,990			(14,918)		10,072
Cash	384			(384)		
Investment income due				678		678
<b>Total</b>	<b>1,131,153</b>	<b>153,615</b>	<b>(98,688)</b>	<b>(14,654)</b>	<b>(26,698)</b>	<b>1,144,728</b>

	Market value 1 April 2014	Purchases during the year	Sales during the year	Movement in cash during the year	Change in market value during the year	Market value 31 March 2015
	£000	£000	£000	£000	£000	£000
Fixed interest securities	287,376	17,675	(2)		20,808	325,857
Equities	150,006	84,743	(79,985)		6,036	160,800
Pooled Investments	441,953	296	(27,864)		59,318	473,703
Pooled property investments	113,125		(54)		(11,961)	101,110
Private equity	36,117	8,980			(788)	44,309
Cash Instruments		24,990				24,990
Cash	377			7		384
<b>Total</b>	<b>1,028,954</b>	<b>136.685</b>	<b>(107,905)</b>	<b>7</b>	<b>73,413</b>	<b>1,131,153</b>

**Note 14b: Analysis of Investments**

	31-Mar-16 £000	31-Mar-15 £'000
Fixed interest securities		
UK		
Corporate quoted	326,659	325,857
Equities		
UK		
Quoted	120,299	126,562
Cash investment	3,260	2,738
Overseas		
Quoted	27,525	31,470
Pooled funds - additional analysis		
Overseas		
Unit trusts	427,629	369,130
Hedge fund of funds	68,104	104,573
Pooled property investments	113,285	101,110
Private equity	47,067	44,309
London CIV	150	0
Cash instruments	10,072	24,990
Cash	0	384
Investment income due	678	0
<b>Total investment assets</b>	<b>1,144,728</b>	<b>1,131,153</b>



**Note 14c: Investments Analysed by Fund Manager**

	Market value 31 March 2016		Market value 31 March 2015	
	£000	%	£000	%
Adam Street	47,067	4.1	44,309	3.9
Baillie Gifford	159,759	14.0	160,068	14.2
Blue Crest	0	0	30,893	2.7
Invesco	111,460	9.7	99,452	8.8
Insight	326,659	28.5	325,856	28.8
London CIV	150	0	0	0
Majedie	151,762	13.3	160,800	14.2
MFS	163,741	14.3	161,579	14.3
PAAMCO	68,104	5.9	73,680	6.5
RREEF	1,825	0.2	1,658	0.2
Standard Life	104,128	9.1	47,483	4.2
State Street	10,072	0.9	25,374	2.2
<b>Total</b>	<b>1,144,728</b>	<b>100</b>	<b>1,131,153</b>	<b>100</b>

**Note 15: Financial Instruments**
**Note 15a: Classification of Financial Instruments**

	2015/16			2014/15		
	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
<b>Financial Assets</b>						
Fixed interest securities	326,659			325,857		
Equities	151,084			160,770		
Pooled investments	495,733			473,703		
Pooled property investments	113,285			101,110		
Private equity	47,067			44,309		
London CIV	150			0		
Cash instruments	10,072			24,990		
Cash				384		
Investment income due	678					
Debtors		13,612			18,289	
<b>Financial Liabilities</b>						
Creditors			(16,423)			(13,166)
<b>Total</b>	<b>1,144,728</b>	<b>13,612</b>	<b>(16,423)</b>	<b>1,131,153</b>	<b>18,289</b>	<b>(13,166)</b>

**Note 15b: Net Gains and Losses on Financial Instruments**

	31-Mar-16 £000	31-Mar-15 £'000
<b>Financial Assets</b>		
Fair Value through profit and loss	1,144,728	1,131,153
Loans and receivables	13,612	18,289
<b>Financial Liabilities</b>		
Fair Value through profit and loss		
Loans and receivables	(16,423)	(13,166)
<b>Total</b>	<b>1,141,917</b>	<b>1,136,276</b>

**Note 15c: Valuation of Financial Instruments Carried at Fair Value**

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1**

Financial instruments 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.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**Level 2**

Financial instruments 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 active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3**

Financial instruments 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.

Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Lambeth Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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 2016	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit and loss	923,762	113,285	115,171	1,152,218
Loans and receivables	6,122			6,122
<b>Total Financial Assets</b>	<b>929,884</b>	<b>113,285</b>	<b>115,171</b>	<b>1,158,340</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	(16,423)			(16,423)
Loans and receivables				
<b>Total Financial Liabilities</b>	<b>(16,423)</b>			<b>(16,423)</b>
<b>Net financial assets</b>	<b>913,461</b>	<b>113,285</b>	<b>115,171</b>	<b>1,141,917</b>

Values at 31 March 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial Assets</b>				
Fair value through profit and loss	881,161	101,110	148,882	1,131,153
Loans and receivables	18,289			18,289
<b>Total Financial Assets</b>	<b>899,450</b>	<b>101,110</b>	<b>148,882</b>	<b>1,149,442</b>
<b>Financial Liabilities</b>				
Fair value through profit and loss	(13,166)			(13,166)
Loans and receivables				
<b>Total Financial Liabilities</b>	<b>(13,166)</b>			<b>(13,166)</b>
<b>Net financial assets</b>	<b>886,284</b>	<b>101,110</b>	<b>148,882</b>	<b>1,136,276</b>

## NOTE 16: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### Risk and Risk Management

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

Responsibility for the fund's risk management strategy rests with the pension fund 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

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:

- The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
- 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 2015/16 reporting period.

Asset type	Potential market movement
	%
UK Equities	10.58%
Global Equities	9.67%
Diversified Growth	4.83%
Hedge Funds	4.58%
Private Equity	4.57%
Corporate Bonds	5.94%
Cash	0.01%
Property	2.39%

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.

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

Asset type	Value as at 31 Mar 15	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
UK Equities	158,032	16,278	174,310	141,754
Global Equities	321,647	28,820	350,467	292,827
Diversified Growth	47,483	1,558	49,041	45,925
Hedge Funds	104,573	4,392	108,965	100,181
Private Equity	44,309	2,295	46,604	42,014
Corporate Bonds	325,857	18,802	344,659	307,055
Cash	40,084		40,084	40,084
Property	101,110	3,670	104,780	97,440
<b>Total</b>	<b>1,143,095</b>	<b>75,815</b>	<b>1,218,910</b>	<b>1,067,280</b>

### 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 2016 and 31 March 2015 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 point (BPS) 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 Mar 16	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	13,333		13,333	13,333
Cash balances	7,490		7,490	7,490
Fixed interest securities	326,659	3,267	329,926	323,392
<b>Total</b>	<b>347,482</b>	<b>3,267</b>	<b>350,749</b>	<b>344,215</b>

Asset exposed to interest rate risk	Value as at 31 Mar 15	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	28,143		28,143	28,143
Cash balances	11,941		11,941	11,941
Fixed interest securities	325,856	3,259	329,115	322,597
<b>Total</b>	<b>365,940</b>	<b>3,259</b>	<b>369,199</b>	<b>362,681</b>

Income exposed to interest rate risk	Value as at 31 Mar 16	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	132		132	132
Fixed interest securities	11,901	119	12,020	11,782
<b>Total</b>	<b>12,033</b>	<b>119</b>	<b>12,152</b>	<b>11,914</b>

Income exposed to interest rate risk	Value as at 31 Mar 15	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Cash and cash equivalents	192		192	192
Fixed interest securities	8,771	88	8,859	8,683
<b>Total</b>	<b>8,963</b>	<b>88</b>	<b>9,051</b>	<b>8,875</b>

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

### 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 (£UK). The fund holds both monetary and non-monetary assets denominated in currencies other than £UK.

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 13% 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 13% 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 16	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	47,067	3,663	50,730	43,404
Overseas unit trusts	111,460	7,548	119,008	103,912
<b>Total</b>	<b>158,527</b>	<b>11,211</b>	<b>169,738</b>	<b>147,316</b>

Income exposed to interest rate risk	Value as at 31 Mar 15	Potential market movement	Value on increase	Value on decrease
	£000	£000	£000	£000
Overseas unquoted securities	44,309	5,760	50,069	38,549
Overseas unit trusts	99,452	12,929	112,381	86,523
<b>Total</b>	<b>143,761</b>	<b>18,689</b>	<b>162,450</b>	<b>125,072</b>

#### **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 2016 was £20.0m (31 March 2015: £40.3m). This was held with the following institutions.

	Rating	31 Mar 16 £000	31 Mar 15 £000
<b>Money Market Funds</b>			
State Street- Liquidity Fund	AAA	10,072	25,405
Majedie Asset Management		3,261	2,738
<b>Bank deposits and current account</b>			
<b>Investment Cash</b>		384	384
Royal Bank of Scotland	A	7,107	11,941
<b>Total</b>		<b>20,824</b>	<b>40,468</b>

#### **Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The 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 council has immediate access to its pension fund cash holdings.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert in to cash. As at 31 March 2016 the value of liquid assets was £1,105.3m, which represented 96.8% of the total fund assets (31 March 2015: £999.8m, which represented 88.0% of the total fund assets).

Management 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 2016 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 17: 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 2013. The next valuation will take place as at 31 March 2016.

The key elements of the funding policy are:

- To ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all 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 2013 actuarial valuation, the fund was assessed as 72.6% funded (72.5% at the March 2010 valuation). This corresponded to a deficit of £359m (2010 valuation: £290m) at that time.

Contribution increases were phased in over the three-year period ending 31 March 2017 for both scheme employers and admitted bodies. The common contribution rate (i.e. the rate that all employers in the fund pay) is 16.8% until the next triennial valuation in 2016.

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 2013 actuarial valuation report and the funding strategy statement on the fund's website.

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

### Demographic assumptions

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

	31-Mar-16	31-Mar-15
Retiring today		
Males	21.7	21.7
Females	24.0	24.0
Retiring in 20 years		
Males	24.3	24.3
Females	26.6	26.6

### Commutation assumption

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

### Note 18: 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 17). The actuary has also used valued ill health and death benefits in line with IAS 19.

31 March 2016 was £1,165m (31 March 2015: £1,135.3m). The implied fund deficit as at 31 March 2016 was therefore £480m (31 March 2015: £641.7m).

As noted above, the liabilities above are calculated on an IAS 19 basis and therefore will differ from the results of the 2013 triennial funding valuation (see Note 17) because IAS 19 stipulates a discount rate rather than a rate that reflects market rates.

Assumptions used	2015/16 %	2014/15 %
Inflation/pension increase rate	2.2	2.4
Salary increase rate	4.2	4.3
Discount rate	3.5	3.2

#### Note 19: Current Assets

	31-Mar-16	31-Mar-15
Sundry debtors	6,122	6,335
Cash balances	7,490	11,941
<b>Total</b>	<b>13,612</b>	<b>18,276</b>

#### Note 20: Current Liabilities

	31-Mar-16	31-Mar-15
Outstanding settlement	6,110	5,890
Sundry creditors	10,313	7,276
<b>Total</b>	<b>16,423</b>	<b>13,166</b>

#### NOTE 21: Additional Voluntary Contributions

	31-Mar-16	31-Mar-15
Prudential	1,320	1,208
Equitable Life	217	243
Clerical Medical	112	105
<b>Total</b>	<b>1,649</b>	<b>1,556</b>

#### Note 22: 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 £0.9m (2014/15: £1.0m) in relation to the administration of the fund and these costs were reimbursed by the Fund. The council is also the single largest employer of members of the pension fund and contributed £43.4m to the fund in 2015/16 (2014/15: £41.7m).

The amount payable to the council as at 31 March 2016 shown as current liability.

#### Governance

There are no elected members of the Pension Committee in receipt of pension benefits from the Lambeth Pension Fund but two pensioner representatives are in receipt of pension benefits from the Lambeth Pension

Fund. In addition, pension committee staff representatives K White and trade union representative J Rogers are active members of the pension fund.

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

#### **Note 23: Contingent Liabilities and Contractual Commitments**

The total commitments as at 31 March 2016 is £92.1m and the outstanding capital commitments (investments) is £28.1m (31 March 2015: total commitment £88.3m and outstanding was £35.1m).

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 24: 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 2012 is expected to arrive in April 2012, it will be accounted for in the 2011/12 accounts (the financial year it relates to), not the 2012/13 accounts (the financial year it arrives in.)

### **Balance sheet**

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

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

### **Capital expenditure**

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

### **Collection Fund**

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

### **Comprehensive Income and Expenditure Statement**

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

### **Condition**

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

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

### **Contingent assets and liabilities**

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

### **Depreciation**

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

### **General Fund (GF)**

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

### **Going Concern**

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

### **Housing Revenue Account (HRA)**

A statutory account that contains all expenditure and income to on the provision of council housing for rent.

The HRA is ring-fenced account outside the General Fund. Local authorities are not allowed to make up deficit on the HRA from its own resources.

### **Matching**

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

### **Materiality**

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

#### **Movement In Reserves statement (MIRs)**

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

#### **Provisions**

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

#### **Prudence**

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

#### **Revenue Expenditure Funded From Capital Under Statute (REFFCUS)**

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

#### **Reserves**

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

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

#### **Statement of Movement on the HRA Balance**

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

#### **Statutory provision for the financing of capital investment**

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

#### **Substance over form**

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