Lambeth

# 2018/2019

# Audited

# Statement of Accounts

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The Council's Statement of Accounts for the year 2018/19 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 2018/19. The code incorporates relevant accounting standards, including International Financial Reporting Standards, International Public Sector Accounting Standards and Generally Accepted Accounting Practice (UK).

The accounts comprise the following:-

# THE NARRATIVE REPORT BY CHRISTINA THOMPSON

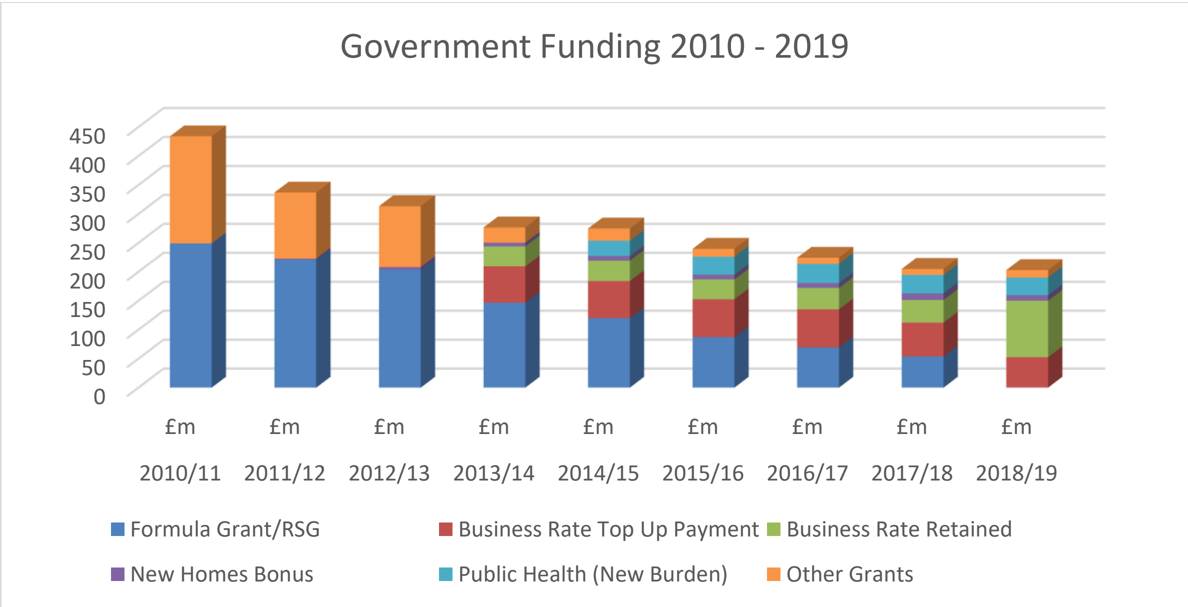
# CHIEF FINANCE OFFICER

**Introduction**

Councils have faced unprecedented challenges in recent years and will continue to face increasing financial challenges over the next five years. We are working in a volatile and uncertain world, with increasing and changing demand for services, and continued budget cuts until the mid-2020s at least.

Since austerity began in 2010, local grant funding from central government has more than halved and the council has made savings of more than £230m in order to maintain balanced budgets.

**Table 1 Government Grant Funding 2010 – 2019**




Whilst Government funding is continuing to decrease demand on services continue to grow, particularly in Adults and Children's Services. This means that reductions have to be made and in the council's budget report presented to Cabinet and Council in February 2019 plans were outlined to save a further £38m to 2022.

**Table 2 Budget Gap by Year and Savings Agreed**

| | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Total Funding Gap as per MTFS** | 15,642 | 6,955 | 10,002 | 5,065 | **37,664** |
| **Total Agreed Savings** | -15,642 | -6,955 | -7,553 | -7,514 | **-37,664** |
| **Revised Funding Gap/(Surplus)** | **0** | **0** | **2,449** | **-2,449** | **0** |

With Government preoccupied with Brexit, local areas will need to work in partnership to show the creativity and drive to reform public services and enable places and communities to meet the challenges ahead. With its capacity for growth and change, its diverse and dynamic population, and its world-class partnership potential, Lambeth is well–placed to make this a reality, and to do all this in austere times will mean difficult decisions.

**What we will do:**

We will enable growth and development in the borough. This will provide opportunities for our residents to improve their life chances and protect our core revenue streams to help our most vulnerable and key services.

We will ensure that the benefits of growth increase community resilience, and that we target our investment in early help and preventative services.

We will reform the way we commission and deliver services with our partners to provide and promote care and independence.

We will make sure that Lambeth is a place where people want to live, work and invest.

**How we will do it:**

By tackling inequality. There are persistent inequalities of opportunity and outcome in the borough and we will continue to challenge this, including by following the recommendations of the Lambeth Equalities Commission.

By collaborating. Working in partnership with our communities will enable us to achieve the best possible outcomes for Lambeth.

By being transparent. We need to promote trust and confidence so that we can work together with our communities and our partners.

By delivering value for money. We must ensure that we maximise our financial returns and increase the sustainability of the local economy.

This approach will be reflected in our work on updating the Borough Plan, in our business planning, and in how we tackle the financial challenges.

## The Financial Planning Process

The council's Medium Term Financial Strategy (MTFS) supports the Borough Plan 2016-2026, which is a ten year vision and strategy for the borough. The main objectives of our MTFS are:

- Prioritise our resources in-line with the Council's Borough Plan to ensure we achieve our core priorities
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position
- Provide a robust framework to assist the decision making process within the council
- Manage the Council's finances with a forward looking four year rolling strategy
- Deliver value for money to our tax payers
- Exercise probity, prudence and strong financial control
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level
- Continually review budgets to ensure resources are targeted on our key priorities

These objectives are at the core of our current MTFS and we will ensure that these objectives are upheld throughout the duration of the MTFS and beyond.
Both the Financial Planning processes, budget monitoring and savings delivery are subject to regular reviews by the Internal Audit Team.

Delivery of the savings required 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 Management Board and its Sub-Groups will continue to ensure that there is corporate oversight of the delivery of savings proposals and a balanced budget during 2019/20.

## Consultation

During 2018/19 the council consulted on its 2019-2022 medium term financial strategy, including savings proposals amounting to £38m, and received over 4,000 responses. The main highlights were:

- 46% of residents agreed/strongly agreed with the council's saving proposals, whilst 22% disagreed/strongly disagreed

- 40% agreed/strongly agreed, whilst 23% disagreed/strongly disagreed, that the budget proposals will enable the council to achieve its priorities to (i) enable growth and development in the borough, (ii) ensure that the benefits of growth increase community resilience, and that we target our investment in early help and preventative services where there is the best return, (iii) reform the way we commission and deliver services with our partners to provide and promote care and independence and (iv) make sure that Lambeth is a place where people want to live, work and invest

- Residents placed children's social care, tackling youth violence, community safety, building new homes, environment and street cleansing and violence against women and girls services as their top six areas that the council should be prioritising

For 2019/20 we will develop a programme of community engagement, consultation, co-design and research around specific changes in services. This will enable us to: better understand the views (and needs) of local people; target our resources where they are most needed; and achieve our Borough Plan objectives. This will help our decision making on savings proposals identified for 2019/20 and beyond.

## Looking Ahead

There remain a number of budgetary risks over the medium term. A brief commentary on the key risks faced by the Council are outlined below:

### Adult Social Care

Adult Social Care has been managing a number of significant financial risks which have arisen from a population that has increasingly complex care needs and cost pressures relating to the amount that the Council is charged for the provision of services. This is the experience nationally and local government bodies have been successful in putting forward the case for increased funding in Adult Social Care with the provision of increased funding in the 2017 spring budget announcement, winter pressures funding and other non-recurrent funding. Although welcome, the extra funding does not provide a financially sustainable care system and the longer term response to the issues that social care faces.

A Green Paper is promised during 2019 on how the government proposes to improve care and support for older people and tackle the challenge of an ageing population. As social care is a significant part of the Council's budget, proposals on how any new funding system will be sustainable and responsive to increases in costs will be critical for the financial sustainability of the Council as a whole. The Green Paper, when published, is likely to look at the funding that individuals contribute to their own care and any significant changes are likely to be complex and result in large costs nationally that require the use of mechanisms to increase funding locally which will likely result in cost pressures for individual local authorities.

### Public Health

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

### Fair Funding Review

The Fair Funding Review is due to take effect from 2020/21, and this will also be the first year of 75% Business Rates Retention outside of current pilot pooling arrangements. This will mean that in that year RSG and possibly the Public Health grant will get rolled into Business Rates Retention, and Councils will be able to retain 75% of growth in the base. The intention of this is to increase local control over local income without the need for primary legislation, whilst having more accurate funding forecasts due to the improvements in the way the funding is allocated.

In 2020/21 the Business Rates baseline will be reset as part of the Fair Funding Review, and this will result in winners and losers, however, until the Fair Funding Review is finalised we don't know what this will mean to Lambeth. The Fair Funding Review is still in the early stages of discussion and consultation, but there is commitment to ensure the system of allocation is simplified, is transparent, based on the most up to date data, responds to both current and future demand, takes account of the best possible objective analysis and is in line with the multi-year Settlements including transitional arrangements.

The underlying level of need has not been updated since 2013/14, so our funding allocation in 2019/20 is based on a needs assessment which will be six years old, and with the significant demographic changes that have been experienced across inner London in that period, it is no surprise that the needs allocation and indicators require a review and an update. We will not know the impact of the Fair Funding Review until the 2019 Spending Review due late this year. We had hoped that this would be at least a four year settlement, however, current indications suggest it may be for one year only.

**New Homes Bonus**

The NHB payments reduced as planned to four years in 2018/19. However, as the 2019/20 tax base is expected to grow less than we have seen in the last few years and new NHB payments are worth less than historic year payments, our 2019/20 NHB allocation is £8.040m, which is £0.832m less than we had factored into our MTFS. The planned changes to NHB of the threshold increase and the adjustment for homes approved by the Planning Directorate have still not taken place, and no date as to when these may be implemented has been confirmed. The baseline of 0.4% is still applicable, but this is not a concern for Lambeth, as our tax base continues to increase well above this baseline.

**Dedicated Schools Grant (DSG)**

The provisional allocation of DSG for 2019/20 is £285.3m, which is an increase of £1.2m (0.4%) over the previous year. In 2018/19 the Government introduced a new National Funding Formula for both schools and for High Needs and created the new Central School Services block (CSSB), the DSG therefore now comprises four blocks: Schools, High Needs, Early Years and the new CSSB.

Within the schools block, the Government has provided for at least 0.5% per pupil increase in 2019/20 through the national funding formula, however, they have also reviewed the way that funding for growing pupil numbers is allocated via the formula and this has led to a decrease in the amount of funding that Lambeth receives of approximately 0.5%.

The amount of funding that is received is largely linked to the number of pupils. The number of primary pupils on the October Census in 2018 has decreased by 309 and the number of secondary pupils has increased by 204, giving a net decrease of 105 pupils (0.3%), this in turn has an impact on the amount of funding that the schools in these sectors will receive.

The minimum funding guarantee for schools will continue, in Lambeth this has been set at minus 1.5% per pupil. There are significant cost pressures faced by schools, for example, the requirement to fund teachers’ pay rises as well as other cost increases and thus the funding is unlikely to be sufficient to meet these increased costs in real terms in most schools.

In the Early Years Block there is a requirement to allocate at least 95% of the funding to providers meaning that a maximum of 5% can be kept centrally. The Early Years Block is also driven by pupil numbers (early year’s participation) and is thus also subject to fluctuating pupil numbers.

The high needs block will increase by 3.41%. There are however, a number of cost pressures in this area due to the rising numbers and complexity of children with special educational needs and the cost of providing for these. Current estimates are that costs in this area will significantly exceed the DSG income allocation and plans to address this are being worked on.

Following a £1.4m reduction in DSG funding for children centres in 2017, the council has continued to fund these through DSG reserves. DSG reserves have now been fully exhausted. The limited capacity to move funding between blocks has meant that pressures in any one block is now difficult to manage and with depleted reserves it is not possible to manage ongoing pressures.

**Risk to our Debt / Expenditure**

**Welfare Reform**

The Council still holds £36m debt relating to Housing Benefits Overpayments on its balance sheet which is either recoverable from debtors through reductions in their on-going benefits or reduced by cash collection. The debt position has been impacted by Real-Time Data Matching (RTDM) exercises conducted by the Department for Work and Pensions (DWP) This uses more up to date information on Housing Benefit claimants and applies this to previous year's Housing Benefit Subsidy claims that have already been audited and closed. This has increased the risk to collecting this debt and therefore more resources have been allocated.

Responsibility for Housing Benefit Payments will transfer to the DWP under Universal Credit. Universal Credit was first introduced in Lambeth from December 2017 and has recently expanded to cover all new claims from working age residents for what previously would have been Housing Benefit. The number of Universal Credit claimants in Lambeth has therefore been increasing with the number of Housing Benefit claimants reducing.

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

**Other Emerging and Known Risks**

The Council has a low level of reserves, and there are known spend pressures in Children's Services. Whilst we are keen to ensure the estimates in the budget are robust, it is an inherent risk. In light of the Spending review coming to an end in 2019/20, the likelihood of receiving additional information on our funding position post 2019/20 is looking more unlikely. We were initially promised a four year settlement in the next Spending Review, due to in December 2019, however current information suggests it will be for one year only, which will affect our ability to robustly plan for the future. Whilst being confident of the saving proposals and the delivery plans to achieve them in the first couple of years of the MTFS, the savings falling in the last year of the MTFS and the plans to deliver them are inherently more risky. The risks to the economy in light of Brexit are a concern and this may cause a need to identify the use of balances to manage the risk in the short term. This is why we have the current balances strategy in place, which ensures we have corporate mechanisms to top up balances. Currently we are forecasting a top-up to balances each year up to 2022/23.

Whilst budgets are calculated on a most likely basis they are by definition estimates and are subject to in year price and volume variances; a small percentage variance of only 1% represents a variance of more than £2.9m on our general fund net revenue budget. Despite the risks to the budget, the rigour of the process has enabled the Council to consistently deliver an overall balanced budget. The Council considers key corporate risks via the risk register, which is monitored at Corporate Management Team in addition to Corporate Committee (the Council's audit committee).

**Reserves**

The council retains a level of earmarked reserves to fund exceptional items or pressures which are difficult to predict and which are not included in revenue budgets or within the capital programme. There are also reserves for specific government funding that is carried forward from year to year.

The council planned for the use of reserves to help smooth the impact of government funding reductions and other budget pressures especially during the period of austerity. Not only did this help to protect council services but it has also allowed time to transition towards new ways of working, productivity improvements and efficiencies.

During the year the Council has increased the amount held in earmarked reserves, demonstrating strong financial planning and management, but has drawn down on its general reserve to support in year expenditure. Continuously drawing down general reserves to support in year expenditure would not be sustainable over the longer term.

In the Housing Revenue Account (HRA), which is ring-fenced from the General Fund, there is much less dependency on revenue grants from government, and thus its finances are more resilient at this time. Reserves have increased from £52.7m as at 31 March 2016 to £57.7m at 31 March 2019, in readiness for investment in better quality housing, fire risk assessment works and to deal with potential risks.

**Table 3 General and Earmarked Reserves**

| Reserves | Balance at 31/03/2016 £'000 | Movement In Year £'000 | Balance at 31/03/2017 £'000 | Movement In Year £'000 | Balance at 31/03/2018 £'000 | Movement In Year £'000 | Balance at 31/03/2019 £'000 |
|---|---|---|---|---|---|---|---|
| General Fund Balance | (22,436) | (88) | (22,524) | (327) | (22,851) | 1,543 | (21,308) |
| GF Earmarked Reserves* | (49,056) | 17,321 | (32,082) | (8,644) | (40,726) | (19,920) | (60,646) |
| **General Fund Total** | **(71,492)** | **17,233** | **(54,606)** | **(8,971)** | **(63,577)** | (18,377) | **(81,954)** |
| | | | | | | | |
| HRA Balances | (10,746) | (1) | (10,747) | (3) | (10,750) | (17) | (10,767) |
| HRA Earmarked Reserves | (41,965) | (3,219) | (45,184) | 794 | (44,390) | (2,533) | (46,923) |
| **HRA Total** | **(52,711)** | **(3,219)** | **(55,931)** | **791** | **(55,140)** | (2,550) | **(57,690)** |
| | | | | | | | |
| **Council Total** | **(124,203)** | **14,014** | **(110,537)** | **(8,180)** | **(118,717)** | **(20,927)** | **(139,644)** |

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

**Capital Investment Programme (CIP) - Growth and Funding**

The Council undertook a capital investment programme (CIP) totalling £774.9m for the 4 financial years of the previous political administration 2014/15 – 2017/18. The CIP is an amalgamation of both General Fund and Housing Revenue Account capital schemes.

It is expected that the main sources of capital funding in future years will be Section 106 and Community Infrastructure Levy (CIL) contributions from development and prudential borrowing. In developing the CIP for coming years, the Council will need to consider the impact on revenue budgets of borrowing to finance its capital priorities, as borrowing costs represent a pressure on revenue unless the capital project generates an income stream. The Council will continue to seek external funding where possible, however in line with other funding from central government, capital grants are also expected to reduce in coming years, although due to the preoccupation with Brexit, the Government's agenda for local government remains far from clear. CIL receipts remain relatively healthy, although this income cannot be guaranteed it is dependent on the level of development activity within the Borough which will be affected by external factors outside of the Council's control.

The approved CIP for the next planning cycle, which includes 2018/19, totals £337.1m. The CIP comprises both investment needed to maintain and enhance our existing asset base together with continuing investment in developing new assets through new build, acquisition or alterations to existing assets.


In addition to the agreed CIP, there is another £64.9m of projected expenditure for projects held in the capital pipeline. The pipeline includes projects where the outcome of funding bids is awaited or where more detailed work is underway before a final commitment to include the project in the CIP can be made.

### Table 4 CIP from 2018/19 to 2020/21 and pipeline

| Strategic Priority | 10 Year Outcome | 2018/19 Revised Budget £000s | 2019/20 Revised Budget £000s | 2020/21 Revised Budget £000s | Total CIP £000s | Unfunded Pipeline Commitment |
|---|---|---|---|---|---|---|
| Creating Inclusive Growth | **Increase Investment and regeneration in Lambeth** | **3,249** | **0** | **0** | **3,249** | **9,986** |
| | Lambeth Town Centres' Regeneration | 3,249 | 0 | 0 | 3,249 | 9,986 |
| | **Improve transport infrastructure** | **4,063** | **1,417** | **0** | **5,480** | **0** |
| | Strategic Transport Infrastructure | 4,063 | 1,417 | 0 | 5,480 | 5,000 |
| | **A larger business base that makes a greater contribution to London's economy** | **2,295** | **0** | **0** | **2,295** | **0** |
| | Investment in Community Workspace | 2,295 | 0 | 0 | 2,295 | 0 |
| Reducing Inequality | **Greater equality in education, training & employment** | **42,161** | **5,492** | **5,349** | **53,002** | **0** |
| | Expansion and Enhancement of Primary Schools | 13,196 | 4,006 | 4,863 | 22,065 | 0 |
| | Expansion and Enhancement of Secondary Schools | 20,122 | 0 | 0 | 20,122 | 0 |
| | Investment in Education Projects | 6,985 | 1,486 | 486 | 8,956 | 0 |
| | Expansion and Enhancement of Special Educational Needs Facilities | 1,858 | 0 | 0 | 1,858 | 0 |
| | **Vulnerable adults are supported to maintain their independence, stay healthy and active** | **6,092** | **5,618** | **6,027** | **17,737** | **0** |
| | Home Improvements for Vulnerable Residents | 4,197 | 0 | 0 | 4,197 | 0 |
| | Home Improvements for Vulnerable Residents (HRA) | 1,100 | 1,100 | 1,100 | 3,300 | 0 |
| | Improvement of Social Care Provision | 795 | 4,518 | 4,927 | 10,240 | 0 |
| | **Improved health and wellbeing for all** | **435** | **0** | **0** | **435** | **0** |
| | Community Health Projects | 435 | 0 | 0 | 435 | 0 |
| Building Strong & Sustainable Neighbourhoods | **People take pride in the streets of Lambeth** | **17,006** | **920** | **0** | **17,926** | **920** |
| | Enhancement of Streetscapes and Public Spaces | 9,079 | 0 | 0 | 9,079 | 0 |
| | Investment in Waste and Recycling | 920 | 920 | 0 | 1,840 | 920 |
| | Resurfacing of Footways and Carriageways | 7,006 | 0 | 0 | 7,006 | 0 |
| | **Lambeth is a safer place** | **138** | **0** | **0** | **138** | **0** |
| | Community Safety Projects | 138 | 0 | 0 | 138 | 0 |
| | **All Lambeth Communities enjoy good quality of life, feel valued & can contribute to their neighbourhood** | **13,404** | **5,080** | **0** | **18,483** | **4,282** |
| | Creation and Enhancement of Community-run Buildings | 679 | 256 | 0 | 935 | 0 |
| | Enhancement of Crematoria & Cemeteries | 1,382 | 0 | 0 | 1,382 | 2,097 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Investment in Culture and Heritage | 715 | 0 | 0 | 715 | 0 |
| | Investment in Leisure Centres | 1,073 | 4,296 | 0 | 5,369 | 0 |
| | Investment in Libraries and Community Hubs | 2,697 | 528 | 0 | 3,225 | 0 |
| | Investment in Parks and Open Spaces | 6,858 | 0 | 0 | 6,858 | 2,185 |
| | **People live more sustainably** | **2,022** | **0** | **0** | **2,022** | **0** |
| | Creation of Cycling Infrastructure | 580 | 0 | 0 | 580 | 0 |
| | Enhancement Of Street Lighting | 1,442 | 0 | 0 | 1,442 | 0 |
| | **The quality of Lambeth's housing is improved including newly built homes of all tenures** | **90,094** | **58,184** | **42,000** | **190,278** | **36,400** |
| | Investment in Lambeth Housing Standard Boroughwide (HRA) | 41,742 | 41,000 | 41,000 | 123,742 | 0 |
| | Housing Development Projects | 44,434 | 16,184 | 0 | 60,617 | 36,400 |
| | Housing Development Projects (HRA) | 1,919 | 0 | 0 | 1,919 | 0 |
| | Investment in Empty Properties (HRA) | 2,000 | 1,000 | 1,000 | 4,000 | 0 |
| **Enabling** | **Enabling** | **24,620** | **1,417** | **0** | **26,038** | **0** |
| | Investment in Corporate Office Accommodation | 11,345 | 0 | 0 | 11,345 | 0 |
| | Improvement of Council IT Infrastructure | 13,275 | 1,417 | 0 | 14,693 | 8,300 |
| | **Grand Total** | **205,579** | **78,127** | **53,375** | **337,081** | **64,888** |

As there remains considerable uncertainty around how exactly the country will exit the European Union, there is the potential for a knock-on impact on construction and housing and commercial property markets. As the Council continues to progress a number of significant regeneration projects across the Borough, it will need to be mindful of the risks involved as it develops the CIP further. Despite this uncertainty, it is sensible for the Council to continue to look for opportunities to develop Council owned sites and acquire new assets, as in addition to providing much new housing and employment opportunities for residents, by growing the Council Tax and Business Rates base, additional income can be generated to support wider service provision.

The Council expects most of its Investment in Housing to be made through its wholly owned Housing Company, Homes for Lambeth, and as the funding here will be in the form of loans, it does not directly impact on the CIP. However, it is important that the risks relating to development are monitored in a similar way to projects within the CIP. As the government has recently lifted the HRA Borrowing Cap, the Council will review opportunities for Housing Development within the CIP. However, the opportunities to do so remain constrained by the availability of land and recent imposed cuts in rent levels which make it more difficult for developments to repay borrowing costs.

In addition to development opportunities, the CIP contains significant funding for maintaining existing Housing stock, as well as continuation of investment in roads and parks following on from the funding to upgrade these assets in the previous funding period. The council has been able to use the capital receipt from the development next to Larkhall to provide a revenue income stream for use in this area.

During 2018, the Council was given approval by the Ministry of Housing, Communities and Local Government (MHCLG) to fund the costs of the Redress Scheme for historic child sex abuse in Lambeth children homes from capital sources. Although this does not directly form part of the CIP, it does impact on the wider availability of capital funding.

**Table 5 Financing the CIP 2018/19 to 2020/21**

| Funding Source | Total 3 Year CIP | |
|---|---|---|
| | £000's | % |
| Grants | (60,723) | 18% |
| S106 | (12,992) | 4% |
| Internal & External Borrowing | (66,719) | 20% |
| Major Repairs Reserve | (100,706) | 30% |
| S20 Receipts | (24,802) | 7% |
| Capital Receipts | (50,305) | 15% |
| Recycled RTB (1-4-1) Receipts | (9,731) | 3% |
| CIL | (8,614) | 3% |
| Capital Reserve | (96) | 0% |
| Earmarked Reserve | (1,820) | 1% |
| Revenue Contribution | (573) | 0% |
| **Total** | **(337,081)** | **100%** |

**Borrowing**

The Council has long term borrowing of £448.1m all sourced from the Government owned Public Works Loan Board.

It should also be noted that the Council holds long-term creditors of £96.1m 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 its ability to service and afford any new borrowing it undertakes. The HRA 30 year Business Plan indicates that the affordability of increased borrowing is the more immediate pressure. Government policy on rent reductions combined with the disposal of high value stock will have an impact on the financial viability of the Housing Revenue Account and its ability to service any additional borrowing. Consideration will need to be given to a future rent policy, which aligns with the 30 year business plan, in order to maintain and service the Housing Portfolio.

**Pension Fund Revaluation and Pension Liability**

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

Within the Fund, the net assets grew from £1.449bn to £1.538bn, despite the volatile market conditions in the UK and globally. Based on the latest report received (dated 31st December 2018) the funding level is 77.9%.

The net pension liability of the Council is broader than that of the Pension Fund, because it includes liabilities relating to employees with pensions managed by the London Pension Fund Authority (LPFA). This overall liability has increased from £609m to £708m however, this is more the result of a change in the actuarial assumptions, rather than underlying performance of the Fund's investments. Please see the Pension Fund accounts for more details.

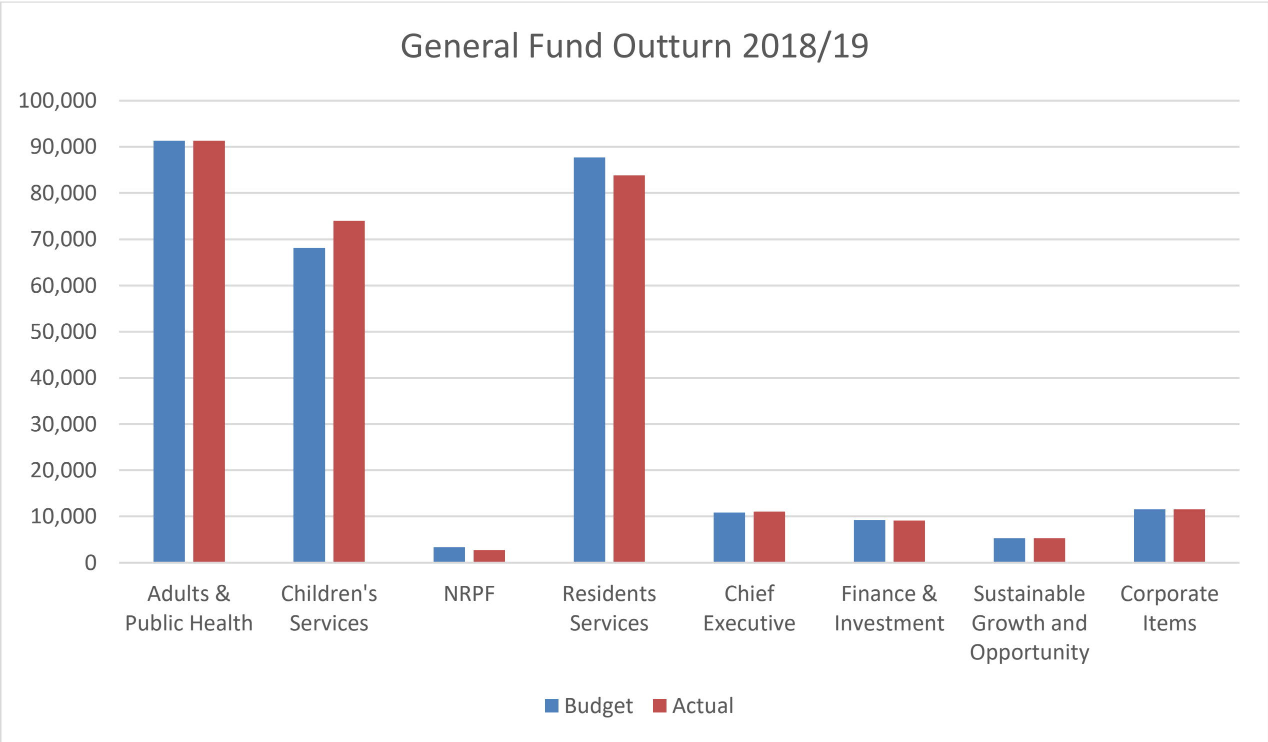
**Summary of Financial Performance in the Year**

**2018/19 Revenue Outturn – General Fund**

The 2018/19 General Fund budget was £287.5m. The overall outturn position was a £1.5m overspend.

The outturn by department is as below:

**Table 6 General Fund Outturn against Budget 2018/19**




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

- Children's Social Care had an overspend of £3.6m on Children Looked After placements and a £1.4m overspend on Children's Centres. A £4.8m forecast overspend on Special Education Needs (SEN) will be funded by the higher needs element of the Dedicated Schools Grant (DSG).
- Adult Services had an underlying forecast overspend of £7.3m, mostly due to homecare, which is being met by one off Government funding. Mitigations to reduce expenditure are

being developed to ensure that there is sufficient one off Government funding still available to meet expenditure needs in 2019/20.

- Legal & Governance within the Chief Executive Directorate had an overspend of £0.4m due to a shortfall in Land Charges income.
- Financing and investment had a £0.5m underspend in Finance and Property due to staffing vacancies.
- Residents Services had a £2.2m surplus on parking income as a new Controlled Parking Zone has resulted in improved parking and Penalty Charge Notice income prior to the budget being increased from 1 April 2019. There was also a saving of £1.3m on Waste Disposal and Street Cleaning costs. Pressures of £2.2m relating to overspends on temporary accommodation Bed & Breakfast costs were managed in year. There is also a £1m top up to the sundry bad debt provision within Financial Transaction Services that was not required this financial year.

**2018/19 Revenue Outturn – Housing Revenue Account**

The Housing Revenue Account achieved a balanced outturn after adjusting for contributions to earmarked reserves. The HRA balances now stand at £10.8m together with total earmarked reserves of £46.9m – 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 and fire risk assessment works.

**2018/19 Capital Outturn**

The Authority spent £162.7m in 2018/19. Unspent funds have been rolled forward to fund revised expenditure projections for future years.

The details of Capital Expenditure in 2018/19 by Community Outcome are shown in the table over the page:

**2018/19 Financing the Capital Investment Programme**

- £26.3m of grant monies (£21.8m in 2017/18)
- £40.1m (£49.9m in 2017/18) of internal reserves and revenue contributions (including via the Major Repairs Reserve),
- £26.1m of proceeds from the disposal of Council assets (£34.4m in 2017/18).
- £56.2m from internal and external borrowing against cash balances
- £6.9m from developers' contributions (£5.5m in 2017/18)
- £7.1m from Section 20 receipts (£7.8m in 2017/18)

| Strategic Priority | 10 Year Outcome | 2018/19 Revised Budget £000s |
|---|---|---|
| Creating Inclusive Growth | **Increase Investment and regeneration in Lambeth** | **734** |
| | Lambeth Town Centres' Regeneration | 734 |
| | **Improve transport infrastructure** | **79** |
| | Strategic Transport Infrastructure | 79 |
| | **A larger business base that makes a greater contribution to London's economy** | **1,531** |
| | Investment in Community Workspace | 1,531 |
| Reducing Inequality | **Greater equality in education, training & employment** | **24,126** |
| | Expansion and Enhancement of Primary Schools | 1,193 |
| | Expansion and Enhancement of Secondary Schools | 17,815 |
| | Investment in Education Projects | 4,816 |
| | Expansion and Enhancement of Special Educational Needs Facilities | 301 |
| | **Vulnerable adults are supported to maintain their independence, stay healthy and active** | **3,523** |
| | Home Improvements for Vulnerable Residents | 1,893 |
| | Home Improvements for Vulnerable Residents (HRA) | 813 |
| | Improvement of Social Care Provision | 818 |
| | **Improved health and wellbeing for all** | **414** |
| | Community Health Projects | 414 |
| Building Strong & Sustainable Neighbourhoods | **People take pride in the streets of Lambeth** | **8,192** |
| | Enhancement of Streetscapes and Public Spaces | 3,174 |
| | Investment in Waste and Recycling | 920 |
| | Resurfacing of Footways and Carriageways | 4,098 |
| | **Lambeth is a safer place** | **106** |
| | Community Safety Projects | 106 |
| | **All Lambeth Communities enjoy good quality of life, feel valued & can contribute to their neighbourhood** | **6,432** |
| | Creation and Enhancement of Community-run Buildings | 259 |
| | Enhancement of Crematoria & Cemeteries | 816 |
| | Investment in Culture and Heritage | 31 |
| | Investment in Leisure Centres | 364 |
| | Investment in Libraries and Community Hubs | 2,919 |
| | Investment in Parks and Open Spaces | 2,043 |
| | **People live more sustainably** | **476** |
| | Creation of Cycling Infrastructure | 364 |
| | Enhancement Of Street Lighting | 112 |
| | **The quality of Lambeth's housing is improved including newly built homes of all tenures** | **87,856** |
| | Investment in Lambeth Housing Standard Boroughwide (HRA) | 42,592 |
| | Housing Development Projects | 41,857 |
| | Housing Development Projects (HRA) | 1,337 |
| | Investment in Empty Properties (HRA) | 2,063 |
| | Housing Communal Facilities (HRA) | 8 |
| Enabling | **Enabling** | **29,212** |
| | Investment in Corporate Office Accommodation | 2,354 |
| | Improvement of Council IT Infrastructure | 26,858 |
| | **Grand Total** | **162,680** |

**The Council's Performance 2018-19 (as at Quarter 3, December 2018)**

'Future Lambeth: our Borough Plan' sets out the council and its partners' shared vision for the borough and where we will focus our efforts over the next five years. The council's corporate performance framework is aligned to and reported against three overarching priorities in the Borough Plan. These three priorities are equally important and mutually reinforcing. The priorities are:

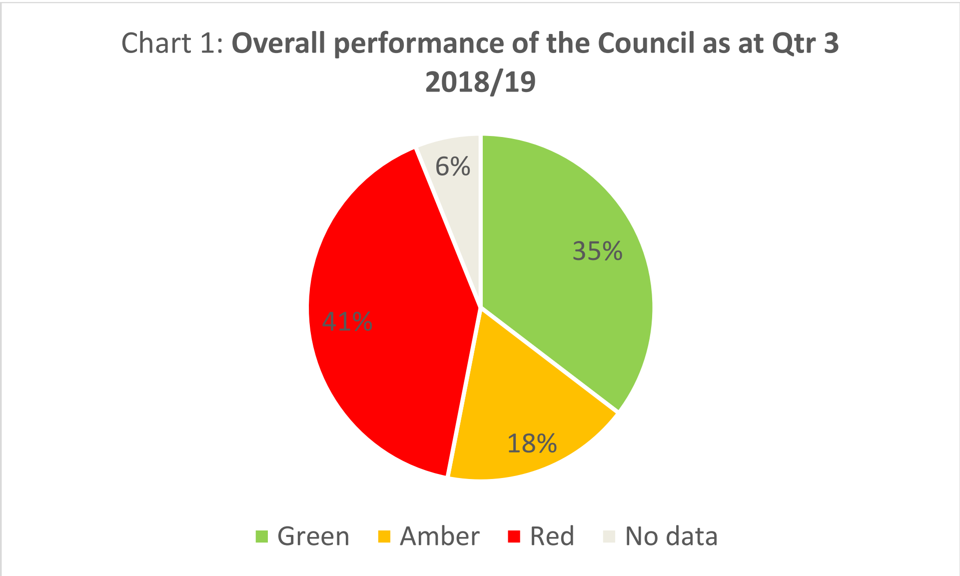
- Inclusive growth
- Reducing inequality
- Strong and sustainable neighbourhoods

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

The information below shows the council's performance for the 2018/19 financial year as at the end of Quarter 3 (December 2018).

**Overall performance across the Council**

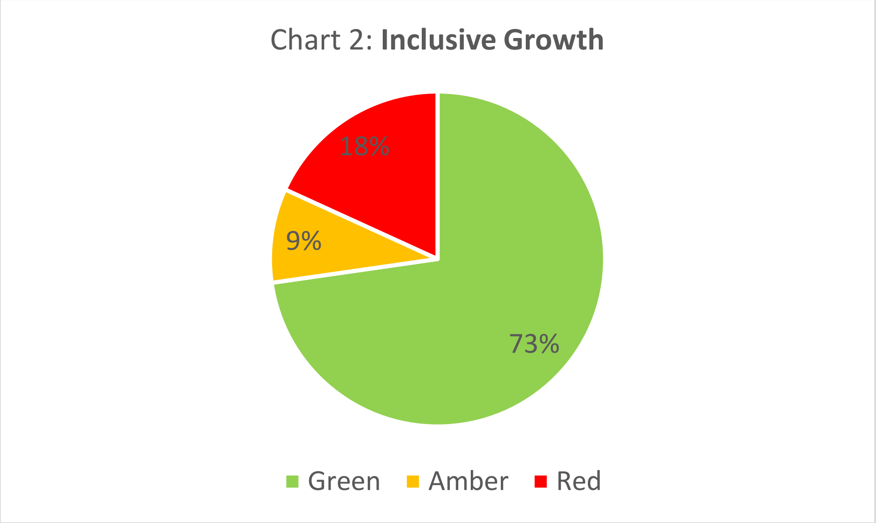
Overall, 172 indicators were reported on in Quarter 3. Of these, 52 (35%) indicators were rated Green and achieving target, 26 (18%) were rated Amber and within an acceptable tolerance of the target and 60 (41%) were rated Red and significantly below target. No quarterly return data was received for 9 (6%) indicators, and 25 indicators were classed as monitor only and did not have targets, these have not been included in the chart data.




**Inclusive growth**

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

For this priority, eight indicators were rated Green (73%), one rated Amber (9%) and two were rated Red (18%).




This priority has seen positive performance for the quarter.

The council has shown strong performance against the turnaround of major planning applications determined within timescales, especially when measured against other councils. The effective use of Planning Performance Agreements has aided in delivering this high level of performance.

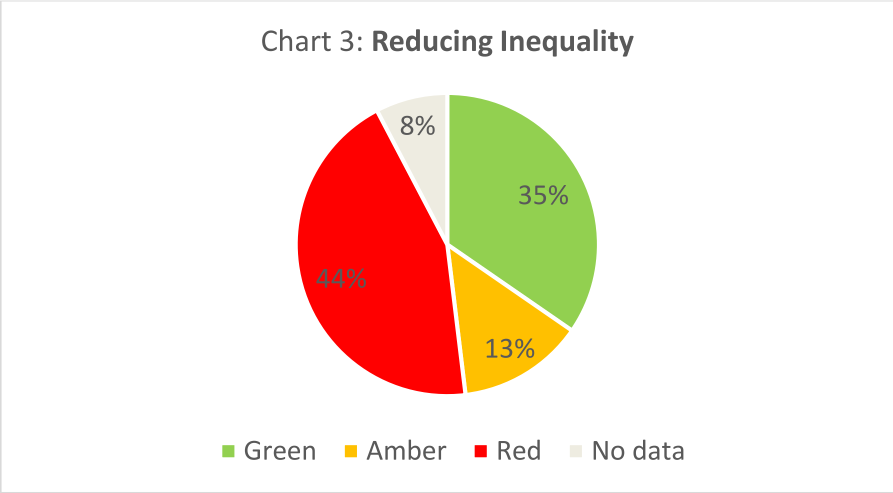
Excellent progress has been made on Lambeth Works; creating a total of 5109 sq.m affordable workspaces to date. The Strategic Investment Pot application for the South London Innovation Corridor programme was successful and allocated £8 million by the Corporation of London, in addition Brixton has been confirmed as one of London's first Creative Enterprise Zones launched by the Mayor of London, which will enable feasibility work on new workspace projects.

Lambeth is continuing to support a number of residents into employment, training or education, through jobs created via Section 106 agreements with developers, the Workwise programme and Pathways to Employment.

**Reducing inequality**

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

For this priority, 18 indicators were rated Green (35%), 7 rated Amber (13%) and 23 rated Red (44%).  There was no data available for 4 indicators (8%).




This priority has had a mixed performance for the quarter.

Lambeth is supporting older and vulnerable people to have greater independence and remain in their homes, this can be seen in the strong performance for the proportion of both adults with learning disabilities and older people who are living independently. However improvement is required at increasing the number of reviews for vulnerable residents in our care or who use our services.

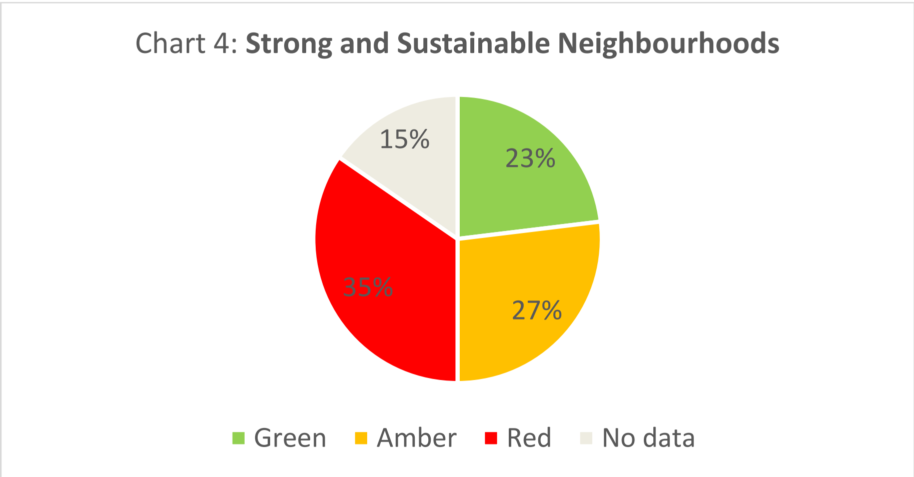
There are a number of areas in Children's Social Care which require improving, including the timeliness of child protection visits, core group meetings and initial health assessments.

Efforts to reduce homelessness and the numbers of households in temporary accommodation are making effective progress, with work streams in place to support households already in temporary accommodation to move out with a housing status band.

**Strong and sustainable neighbourhoods**

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

For this priority, 6 indicators were rated Green (23%), 7 rated Amber (27%) and 9 rated Red (35%). There was no data available for 4 indicators (15%).



This priority has had a mixed performance for the quarter.

Satisfaction with grounds maintenance and estate cleaning is close to hitting target for the quarter, residents' priorities for their estates are being captured via estate action plans which will be in place for every estate this financial year. However work is required to improve the number of private dwellings and Homes of Multiple Occupancy (HMOs) compliant with the statutory Housing Act standards.

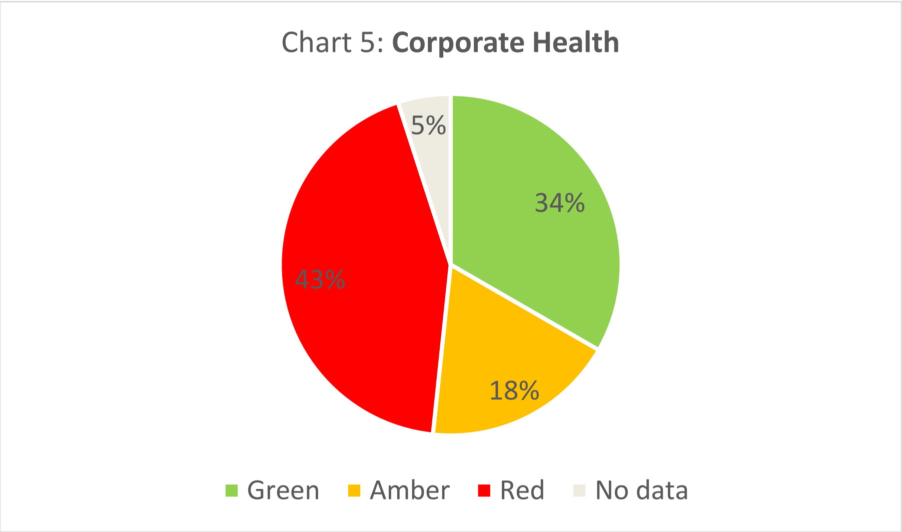
With the advent of the revised noise service; there has been an emphasis on being responsive to noise issues and ensuring that officers effectively and efficiently progress cases to their conclusion.  The results of quarter 3 are a vast improvement of those over quarter 2 and demonstrate the positive impact of the new procedures.

The Gaia Centre continues to perform well across all key outcome areas, and provides a high quality support service to some of our most vulnerable residents are experiencing Violence Against Women and Girls.

In addition excellent progress has been made in the work to carry out the installation of disabled parking spaces and construction of ramps for wheelchair users.

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

For corporate health, 20 indicators were rated Green (34%), 11 rated Amber (18%) and 26 rated Red (43%).  There was no data available for 3 indicators (5%).




This priority has had a mixed performance for the quarter.

Despite an increase in the contact centre call abandonment rate, satisfaction with the housing contact centre continues to remain significantly above target.

The average time taken to process new housing benefit claims has achieved target for the quarter 3, although the target for processing the changes of housing benefit circumstances has missed its target.

Both the NNDR and council tax collection rates have exceeded the targets for the quarter, and the rent and debt collection levels are within target.  However, with the growing challenge of Universal Credit rollout, it is anticipated that performance will be affected with an average of 100 claims coming through the portal on a weekly basis; this is a similar level of demand seen by all boroughs across London.

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required to:

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

### The Chief Financial Officer's Responsibilities

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

In preparing this statement of accounts, the CFO has:

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

### Certification of the Chief Financial Officer

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of the London Borough of Lambeth, including its income and expenditure, and of the London Borough of Lambeth Pension Fund for the year ended 31 March 2019.

[redacted]

**Christina Thompson**
Chief Financial Officer
London Borough of Lambeth
25th July 2019

### Approval of the Accounts

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

[redacted]

**Councillor Adrian Garden**
Chair – Corporate Committee
25th July 2019

## Independent auditor’s report to the members of London Borough of Lambeth

## Report on the financial statements

### Opinion on the financial statements of London Borough of Lambeth

We have audited the financial statements of London Borough of Lambeth (‘the Council’) for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the Expenditure and Funding Analysis, the Collection Fund, the Housing Revenue Account and a summary of significant accounting policies. 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 2018/19.w

In our opinion, the financial statements:

- give a true and fair view of the financial position of London Borough of Lambeth as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

### Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance & Property’s use of the going concern basis of accounting in the preparation of the Council’s financial statements is not appropriate; or
- the Director: Finance & Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Director: Finance & Property is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinions on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of the Director: Finance & Property for the financial statements**

As explained more fully in the Statement of the Executive Director of Finance and Resources' Responsibilities, the Director: Finance & Property is responsible for the preparation of the Statement of Accounts, which includes the Council's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director: Finance & Property is also responsible for such internal control as the Director: Finance & Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director: Finance & Property is responsible for assessing each year whether or not it is appropriate for the Council to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, London Borough of Lambeth has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

### Responsibilities of the Council

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Use of the audit report

This report is made solely to the members of London Borough of Lambeth, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

**Certificate**

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

We cannot formally conclude the audit and issue an audit certificate until we have completed

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- our work on an objection raised in relation to the Council's financial statements for the year ended 31 March 2019.

We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[redacted]

Karen Murray
For and on behalf of Mazars LLP

Tower Bridge House
St Katharine's Way
London
E1W 1DD

16th December 2019

**Independent auditor's report to the members of London Borough of Lambeth Pension Fund**
**Report on the financial statements**

## Opinion on the financial statements of London Borough of Lambeth Pension Fund

We have audited the financial statements of London Borough of Lambeth Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of London Borough of Lambeth Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director: Finance & Property use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director: Finance & Property has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The Director: Finance & Property is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of the Director: Finance & Property for the financial statements

As explained more fully in the Statement of the Director: Finance & Property Responsibilities, the Director: Finance & Property is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

The Director: Finance & Property is also responsible for such internal control as the Director: Finance & Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director: Finance & Property is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity.

The Director: Finance & Property is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Use of the audit report

This report is made solely to the members of London Borough of Lambeth, as a body and as administering authority for the London Borough of Lambeth Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council 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 Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[redacted]

***Lucy Nutley***

For and on behalf of Mazars LLP

Tower Bridge House
St Katharine's Way
London
E1W 1DD

18th December 2019

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

| | Notes | 2018/ 2019 | | | 2017/ 2018 | | |
|---|---|---|---|---|---|---|---|
| | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** | Gross Expenditure | Gross Income | Net Expenditure |
| | | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 |
| Adults & Health | | 169,442 | (77,262) | **92,180** | 165,522 | (73,740) | 91,782 |
| Chief Executive | | 12,550 | (16,122) | **(3,572)** | 108,722 | (4,250) | 104,472 |
| Children's Services | | 359,954 | (270,468) | **89,486** | 348,368 | (265,671) | 82,696 |
| Corporate Items | | 41,823 | (75) | **41,748** | 74,828 | (3,173) | 71,655 |
| Finance & Investment | | 30,748 | (10,068) | **20,680** | 18,515 | (7,912) | 10,603 |
| Housing Revenue Account | | 208,171 | (187,122) | **21,049** | 150,322 | (185,764) | (35,442) |
| Resident Services | | 396,081 | (296,527) | **99,554** | 414,930 | (325,031) | 89,899 |
| Sustainable Growth & Opportunity | | 13,997 | (8,586) | **5,411** | 15,981 | (10,258) | 5,723 |
| **COST OF SERVICES** | | **1,232,766** | **(866,230)** | **366,536** | **1,297,188** | **(875,800)** | **421,389** |
| Levies | | | | 4,195 | | | 4,278 |
| Payments to the Government Housing Capital Receipts Pool | | | | 3,337 | | | 2,554 |
| (Gains)/losses on the Disposal of Non-Current Assets | | | | (29,939) | | | 37,240 |
| Other Expenditure | | | | 96 | | | 95 |
| **Other Operating (Income)/Expenditure** | | | | **(22,311)** | | | 44,167 |
| Interest Payable and Similar Charges - other | | | | 31,368 | | | 31,637 |
| Net interest on the net pensions liability | | | | 17,325 | | | 17,009 |
| Investment Interest income | | | | (931) | | | (916) |
| Impairments on Receivables | | | | 9,454 | | | 13,208 |
| **Financing and Investment Income and Expenditure** | | | | **57,216** | | | 60,938 |
| **Taxation and Non-Specific Grant Income** | 11c | | | (362,860) | | | (341,915) |
| **(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES** | | | | **38,581** | | | 184,578 |
| **Loss / (Gain) on revaluation of non-current assets** | 31 | | | 122,941 | | | (97,608) |
| **Remeasurements of the Net Defined Benefit Liability** | 31 | | | 108,193 | | | (38,241) |
| **Other Comprehensive (Income) and Expenditure** | | | | **231,134** | | | (135,849) |
| **Total Comprehensive Income and Expenditure** | | | | **269,715** | | | 48,729 |

Notes
The CIES has been restated for 2017/18 due to an organisational restructure in 2018/19

## 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 Increase /Decrease in 2018/19 line below shows the General Fund Balance and Housing Revenue Account Balance after any discretionary transfers to or from earmarked reserves undertaken by the council in the year.

The next two tables provide movements on individual usable reserves (for 2017/18 and 2018/19) with one column for all of the unusable reserves.

| 2018/19 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve (Capital) £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2018 brought forward** | **(86,936)** | **(55,140)** | **(64,578)** | **251** | **(74,917)** | **(281,320)** | **(2,263,974)** | **(2,545,293)** |
| Total Comprehensive Income and Expenditure (CIES Page 24) | 9,809 | 28,772 | 0 | 0 | 0 | 38,581 | 231,134 | 269,714 |
| Adjustments between accounting basis & funding basis under regulations (Note 29) | (30,954) | (31,322) | (4,590) | 0 | (3,994) | (70,861) | 70,861 | 0 |
| **(Increase)/Decrease in 2018/19** | **(21,145)** | **(2,550)** | **(4,590)** | **0** | **(3,994)** | **(32,281)** | **301,995** | **269,714** |
| **Balance at 31 March 2019 carried forward** | **(108,081)** | **(57,690)** | **(69,168)** | **251** | **(78,911)** | **(313,599)** | **(1,961,979)** | **(2,275,578)** |
| **GF and HRA Balance analysed over** | | | | | | | | |
| Earmarked reserves (Note 30a) | (73,038) | (46,923) | | | | | | |
| LMS (Schools) Balance | (13,735) | | | | | | | |
| Balances not earmarked | (21,308) | (10,767) | | | | | | |
| **Balance at 31 March 2019 carried forward** | **(108,081)** | **(57,690)** | | | | | | |

| 2017/18 | General Fund Balance £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve (Capital) £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Total Unusable Reserves £'000 | Total Authority Reserves £'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2017 brought forward** | **(88,728)** | **(55,931)** | **(68,918)** | **(75)** | **(58,919)** | **(272,570)** | **(2,321,452)** | **(2,594,022)** |
| Total Comprehensive Income and Expenditure (CIES Page 24) | 210,834 | (26,256) | 0 | 0 | 0 | 184,578 | (135,849) | 48,729 |
| Adjustments between accounting basis & funding basis under regulations (Note 29) | (209,042) | 27,047 | 4,340 | 326 | (15,998) | (193,327) | 193,327 | 0 |
| **(Increase)/Decrease in 2017/18** | **1,792** | **791** | **4,340** | **326** | **(15,998)** | **(8,749)** | **57,478** | **48,729** |
| **Balance at 31 March 2018 carried forward** | **(86,936)** | **(55,140)** | **(64,578)** | **251** | **(74,917)** | **(281,319)** | **(2,263,974)** | **(2,545,293)** |

| | | |
|---|---|---|
| **GF and HRA Balance analysed over** | | |
| Earmarked reserves (Note 30a) | (48,935) | (44,390) |
| LMS (Schools) Balance | (15,150) | 0 |
| Balances not earmarked | (22,851) | (10,750) |
| **Balance at 31 March 2018** | **(86,936)** | **(55,140)** |

Note: The 2017/18 Useable Reserve bought forward figure has been adjusted to take account of bought forward pension's correction.

# 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 | **2018/19** | 2017/18 | 1 April 2017 |
|---|---|---|---|---|
| | | **£'000** | £'000 | £'000 |
| Property, Plant & Equipment | 14a | 3,670,314 | 3,802,797 | 3,703,254 |
| Heritage Assets | 14f | 1,417 | 1,283 | 1,141 |
| Intangible Assets | 14b | 3,668 | 4,402 | 6,087 |
| Long-Term Debtors | 15a | 27,207 | 32,495 | 4,839 |
| **Long Term Assets** | | **3,702,606** | 3,840,977 | 3,715,321 |
| | | | | |
| Assets Held for Sale (within one year) | 14e | 2,150 | 3,226 | 903 |
| Short Term Debtors | 16 | 159,250 | 133,997 | 155,936 |
| Short Term Investments | 15a | 20,027 | 74,427 | 123,664 |
| Cash and Cash Equivalents | 35 | 55,936 | 16,363 | 27,980 |
| **Current Assets** | | **237,363** | 228,013 | 308,483 |
| | | | | |
| Short Term Borrowing | 15a | (6,533) | (13,056) | (6,876) |
| Short Term Creditors | 17, 18 | (172,345) | (199,683) | (171,968) |
| Provisions | 24 | (72,772) | (63,327) | (11,588) |
| Grants Receipts in Advance - Revenue | 18 | (20,289) | (16,698) | (14,237) |
| Grants Receipts in Advance - Capital | 20 | (20,683) | (10,868) | (15,051) |
| **Current Liabilities** | | **(292,622)** | (303,632) | (219,720) |
| | | | | |
| Long Term Creditors | 15a | (96,116) | (102,358) | (106,129) |
| Provisions | 24 | (27,296) | (45,362) | (3,877) |
| Long Term Borrowing | 15a | (441,634) | (401,658) | (412,717) |
| IAS19 Net Pension Liability | 27a | (774,813) | (636,165) | (658,239) |
| Grants Receipts in Advance - Capital | 20 | (31,910) | (34,522) | (29,100) |
| **Long Term Liabilities** | | **(1,371,769)** | (1,220,065) | (1,210,062) |
| | | | | |
| **Net Assets** | | **2,275,578** | 2,545,293 | 2,594,022 |
| | | | | |
| Total usable reserves | 30a | 313,599 | 281,319 | 272,570 |
| Total unusable reserves | 31 | 1,961,979 | 2,263,974 | 2,321,452 |
| | | | | |
| **Total Reserves** | | **2,275,578** | 2,545,293 | 2,594,022 |

Adjustment to balances at 1 April 2017:
The IAS19 Net Pensions Liability and unusable reserves in the opening balances have been adjusted to take account of a previous amendment that had not been removed from the financial statements.

## 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 | | 2018/19 | | 2017/18 |
|---|---|---|---|---|---|
| | | | £'000 | | £'000 |
| Net (surplus) or deficit on the provision of services | | | 38,582 | | 184,578 |
| Adjust net surplus or deficit on the provision of services for non-cash movements | | | | | |
| Depreciation and amortisation | | (64,256) | | (66,832) | |
| Impairment and revaluations | | (76,096) | | (63,869) | |
| ( Increase )/Decrease in Creditors | | (3,077) | | (4,738) | |
| Increase/ (Decrease) in Debtors | | 21,352 | | 2,361 | |
| (Decrease)/Increase in Inventories | | 0 | | (10) | |
| Other adjustments | | (1,641) | | 145 | |
| Non Cash PFI expenditure | | 321 | | 307 | |
| Increase/(Decrease) in Accrued Investment Income | | (401) | | (237) | |
| Pension Liability | | (30,455) | | (16,167) | |
| Contributions (to)/from Provisions | | 8,621 | | (93,224) | |
| Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets) | | (3,864) | | (49,709) | |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | | | (149,495) | | (291,973) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | | | | | |
| Capital Grants credited to surplus or deficit on the provision of services | | 47,285 | | 34,926 | |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | | 34,053 | | 12,469 | |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | | 81,338 | | 47,395 |
| **Net Cash Flows from Operating Activities** | | | (29,575) | | (60,000) |
| Investing Activities | 32 | | (12,073) | | 82,178 |
| Financing Activities | 33 | | 2,075 | | (10,561) |
| Net (increase) or decrease in cash and cash equivalents | | | (39,573) | | 11,617 |
| Cash and cash equivalents at the beginning of the reporting period | | | 16,363 | | 27,980 |
| **Cash and cash equivalents at the end of the reporting period** | 35 | | 55,936 | | 16,363 |

NOTES:

All liabilities arising from financing activities, as shown in the balance sheet and note 15a, are from cash flows

# EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis is a note to the accounts that shows for each of the Council's directorates:

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

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

| | 2018/ 2019 | | | 2017/ 2018 | | |
|---|---|---|---|---|---|---|
| | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| Adults & Health | 91,697 | 483 | 92,180 | **90,469** | **1,313** | **91,782** |
| Chief Executive | 11,067 | (14,639) | (3,572) | **6,505** | **97,967** | **104,472** |
| Children's Services | 78,215 | 11,271 | 89,486 | **71,799** | **10,898** | **82,696** |
| Corporate Items Cost of Services | 67,302 | (25,554) | 41,748 | **9,459** | **62,196** | **71,655** |
| Finance & Investment | 7,385 | 13,295 | 20,680 | **9,929** | **674** | **10,603** |
| Resident Services | 81,299 | 18,255 | 99,554 | **69,439** | **20,460** | **89,899** |
| Sustainable Growth & Opportunity | 5,321 | 90 | 5,411 | **3,462** | **2,262** | **5,723** |
| **Net Cost of Services excl HRA** | **342,286** | **3,201** | **345,488** | **261,061** | **195,770** | **456,831** |
| Housing Revenue Account | (11,194) | 32,243 | 21,049 | **(71,788)** | **36,345** | **(35,442)** |
| **Net Cost of Services incl HRA** | **331,091** | **35,445** | **366,536** | **189,273** | **232,115** | **421,389** |
| Other Income and Expenditure | (354,787) | 26,832 | (327,955) | **(186,690)** | **(50,120)** | **(236,810)** |
| **(Surplus) or Deficit** | **(23,696)** | **62,277** | **38,581** | **2,583** | **181,996** | **184,578** |
| Opening General Fund and HRA Balance 1 April 2018 | **(142,075)** | | | **(144,657)** | | |
| Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year | (23,696) | | | **2,583** | | |
| **Closing General Fund and HRA Balance at 31 March*** | **(165,769)** | | | **(142,075)** | | |

<u>Notes</u>

The Expenditure Funding Analysis has been restated for 2017/18 due to an organisational restructure in 2018/19

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

# NOTES TO THE ACCOUNTS (GENERAL)

## 1. Statement of Accounting Policies

### A. Basis of Preparation

The Accounts and Audit (England) Regulations 2015 require the Council to prepare a Statement of Accounts for each financial year in accordance with proper accounting practices. For 2018/19, these proper accounting practices principally comprise:

- the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).
- 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 and services is recognised when the Authority satisfies a performance obligation by transferring promised goods or services to the purchaser.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

| Class of Assets | Valuation Basis |
|---|---|
| Property, Plant and Equipment: Dwellings | Current value, comprising existing use value for social housing.<br>Dwellings are valued using market prices for comparable properties, adjusted to reflect occupancy under secure tenancies. |
| Property, Plant and Equipment: Other Land and Buildings | Current value, comprising existing use value.<br>Where prices for comparable properties are available in an active market, properties are valued at market value taking into account the existing use. Where no market exists or the property is specialised, current value is measured at depreciated replacement cost. |
| Property, Plant and Equipment: Surplus Assets | 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:<br>• quoted securities – current bid price<br>• unquoted securities – professional estimate<br>• unitised securities – current bid price<br>• property – market value. |

The Statement of Accounts has been adjusted to reflect events after 31 March 2019 and before the date the Statement was authorised for issue only where the events provide evidence of conditions that existed at 31 March.

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

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

| Expense | Accounting Basis in CIES | Funding Basis in MiRS | Adjustment Account |
| --- | --- | --- | --- |
| Property, Plant and Equipment | Depreciation and revaluation/impairment losses | Annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. | Capital Adjustment Account |
| Intangible Assets | Amortisation and impairment | | Capital Adjustment Account |
| Investment Properties | Movements in fair value | | Capital Adjustment Account |
| Revenue Expenditure Funded from Capital under Statute | Expenditure incurred in 2018/19 | | Capital Adjustment Account |
| Capital Grants and Contributions | Grants that became unconditional in 2018/19 or were received in 2018/19 without conditions | No credit for capital grant income as this is accounted for via the capital adjustment account when applied. | Capital Grants Unapplied Reserve (amounts unapplied at 31 March 2019)<br>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)<br>Capital Receipts Reserve (sale proceeds and costs of disposal)<br>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 2018/19<br>Movements in the fair value of money market fund investments | Deferred debits and credits of premiums and discounts from earlier years in accordance with the 2003 Regs<br>Historical cost gains/losses for money market fund investments disposed of in 2018/19 | Financial Instruments Adjustment Account |
| Pensions Costs | Movements in pensions assets and liabilities being the aggregate of service costs, net interest costs and actuarial gains and losses. | Employer's pensions contributions payable and direct payments made by the Council to pensioners for 2018/19. | Pensions Reserve |
| Council Tax | Accrued income from 2018/19 bills | Demand on the Collection Fund for 2018/19 plus share of estimated surplus at 31 March 2019 | Collection Fund Adjustment Account |
| Business Rates | Accrued income from 2018/19 bills | Precept from the Collection Fund for 2018/19 | Collection Fund Adjustment Account |
| Holiday Pay | Projected cost of untaken leave entitlements at 31 March 2019 | 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. They are initially measured at fair value.

Financial liabilities are subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial assets are subsequently measured in one of two ways:

• amortised cost – assets whose contractual terms are basic lending arrangements (i.e. they give rise on specified dates to cash flows that are solely payments of principal or interest on the principal amount outstanding, which the Council holds under a business model whose objective is to collect those cash flows)
• fair value – all other financial assets

Amortised cost assets are measured in the Balance Sheet at the outstanding principal repayable (plus accrued interest). Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Any gains or losses in fair value that might arise are not accounted for until the instrument matures or is sold.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES.

Changes in the value of assets carried at fair value (described as Fair Value through Profit or Loss) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

### D. Revenue from Contracts with Service Recipients

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient, measured as the amount of the overall transaction price allocated to that obligation.

### E. Government Grants and Contributions

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

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

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

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

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a proportion of the charges may be used to fund revenue expenditure.

### F. 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.

### G. Leases

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

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

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

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

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

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

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

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

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

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

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

### H. Overheads and Support Services

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

### I. 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 are charged respectively with the employer's contributions payable to Teachers' and NHS Pensions in the year.

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

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

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

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

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

### J. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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

Assets are initially measured at cost, comprising:

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

Assets such as infrastructure, community assets and assets under construction are carried at depreciated historical cost. Surplus Assets are held at Fair Value, Heritage assets are held at historic cost. For assets currently providing a service, if they have no active market then they are held at Depreciated Replacement Cost, for Council Dwellings these are held at Existing Use Value – Social Housing, and for other assets with an active market these are held at Existing Use Value. Assets included in the Balance Sheet are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their valuation basis 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 in the following ways:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

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

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

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

Useful Economic Lives

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

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

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

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

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

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

### K. 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 – a 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

### L. Provisions

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

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

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

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

### M. Termination Benefits

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

### N. Changes in Accounting Policies

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material errorChanges 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 or the CIPFA code specifies no retrospective implementation) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

### O. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in a specified period, no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management strategy.

### P. Reserves

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

### Q. Rounding

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

### R. Council Tax and Non-domestic Rates

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

Accounting for Council Tax and NDR

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

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

### S. Employee Benefits Payable During Employment

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

### T. Schools

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

### U. VAT

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

## 2a. Critical Judgements and Assumptions

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

Items in the Council's Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year include pensions liabilities, property, plant and equipment valuations, insurance provisions and bad debt provisions.

Critical judgements made in the Statement of Accounts are:

***Future of Local Government***

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

***Bad Debt Provisions***

Bad debts are provided for by using trend data for recent years regarding collection rates and overview of debt position, and applying that analysis to aged debt, thus ensuring that the net debtor represents a reasonable estimation of collectible debt. Where there is an expected credit loss the bad debt provision is amended where material.

***Provisions and Contingent Liabilities***

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 elements of Provisions relate to the Redress Scheme and Insurance Fund, explained further below.

***Redress Scheme***

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

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

There remains significant uncertainty in the total value of payments that may be required to be made as a result of the establishment of the redress scheme. A peer review of the scheme valuation was undertaken by the Government Actuarial Department in August 2018, which estimated that the final value of claims could range between £30m and £250m. The uncertainties in valuing the liability arise from the following factors:

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

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

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

Costs associated with the scheme have been monitored throughout 2018/19 with reports presented quarterly to Cabinet, supported by an independent actuarial analysis of the overall scheme's projected costs. The latest actuarial view is that £100m remains a valid estimate of the overall scheme's total costs based on the experience of claims made to date. The Council will continue to monitor this throughout the next financial year.

***Non-Domestic Rates Pooling - London***

The collection fund entries for non-domestic rates (NDR) and the outcome of the 2018/19 London pilot for NDR have been calculated on NNDR2 (National Non-Domestic Rates 2) return estimates for the year. This return sets our data on estimated business rates due and collected. The final amounts will not be known until after the 2018/19 accounts have been closed, through the NNDR3 return. Any adjustments required between the NNDR2 and NNDR3 will be provided for in the following year's fund.

***Insurance Fund***

The Council holds a fund to act as a means of self-insurance. This is split between a consideration held in provisions to cater for incurred and reported claims where there is a probability that a payment may be required, and a reserve to cater incurred but not reported claims. See Note 24.

***Restructures, Redundancies and Termination Benefits***

A provision has been made to meet the cost of those staff who have agreed to leave as part of voluntary redundancy arrangements. The provision is based on the annual cost of redundancy arrangements and there are no specific redundancy programmes planned over the next financial year, outside of the Medium Term Financial Strategy Savings Plan at this point in time.

***Service Concessions***

The Council is deemed to control the services provided under PFI agreements as detailed in note 23. The accounting policies for PFI schemes and similar contracts have been applied to the arrangements and the assets recognised as Property Plant and Equipment on the Council's Balance sheet. See note 23.

***Group Accounts***

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

***Pensions Liabilities***

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

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

| | Approx. increase to pension liability | | Approx. increase to monetary amount | |
|---|---|---|---|---|
| | LPFA | Lambeth | LPFA | Lambeth |
| | % | % | £'000 | £'000 |
| 1 year increase in member life expectancy | 4 | 3-5 | 2,611 | 86,927 |
| 0.5% increase in salary increase rate | <1 | 1 | 80 | 21,582 |
| 0.5% increase in pension increase rate | 6 | 8 | 4,660 | 180,211 |
| 0.5% decrease in real discount rate | 6 | 9 | 4,660 | 204,594 |

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

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

***Property Valuations***

Properties are subject to full valuation by a qualified valuer under a rolling programme at least once every five years. Where there has been significant works carried out to the asset during the year, the asset is subject to a full valuation on completion of those works. At the balance sheet date, all assets with carrying value over £1 million are subject to a further desktop valuation. The valuation in 2018/19 was conducted by Wilks Head and Eve LLP.

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

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

***Homes for Lambeth***

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

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

The Council is the sole 100% shareholder of the companies. As at 31 March 2019 no material transactions had been undertaken by the group of companies and therefore preparation of group accounts was not relevant for the 2018/19 financial year. Net expenditure between the Council and HFL during the year amounted to below £0.7m and land transfers of Lollard Street and Knights Walk are expected to materialise in 2019/20.

### 2b. Post Balance Sheet

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

### 2c. Accounting Standards Issued but not yet adopted

There are no changes in accounting requirements for 2019/20 that are anticipated to have a material impact on the Council's financial performance or financial position.

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

### 3. Note to the Expenditure and Funding Analysis

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

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

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

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

| | 2018/2019 | | | | 2017/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| **Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure amounts** | **Adjustments for Capital Purposes £'000** | **Net change for the Pensions Adjustments £'000** | **Other Differences £'000** | **Total Adjustments £'000** | **Adjustments for Capital Purposes £'000** | **Net change for the Pensions Adjustments £'000** | **Other Differences £'000** | **Total Adjustments £'000** |
| Adults & Health | 483 | 0 | 0 | 483 | 1,313 | 0 | 0 | 1,313 |
| Chief Executive | (14,639) | 0 | 0 | (14,639) | 97,967 | 0 | 0 | 97,967 |
| Children's Services | 11,271 | 0 | 0 | 11,271 | 10,898 | 0 | 0 | 10,898 |
| Corporate Items Cost of Services | (38,427) | 12,862 | 11 | (25,554) | 64,068 | (1,631) | (240) | 62,196 |
| Finance & Investment | 13,295 | 0 | 0 | 13,295 | 674 | 0 | 0 | 674 |
| Housing Revenue Account | 31,983 | 268 | (7) | 32,243 | 35,677 | 694 | (26) | 36,345 |
| Resident Services | 18,255 | 0 | 0 | 18,255 | 20,460 | 0 | 0 | 20,460 |
| Sustainable Growth & Opportunity | 90 | 0 | 0 | 90 | 2,262 | 0 | 0 | 2,262 |
| **Net Cost of Services** | 22,311 | 13,130 | 4 | 35,445 | 233,319 | (937) | (266) | 232,115 |
| Other income and expenditure from the Expenditure and Funding Analysis | 9,507 | 17,325 | 0 | 26,832 | (60,767) | 17,104 | (6,456) | (50,120) |
| Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services | 31,818 | 30,455 | 4 | 62,277 | 172,552 | 16,167 | (6,723) | 181,996 |

### 4. Expenditure & Income Analysed by Nature

| | 2018/2019<br>£'000 | 2017/2018<br>£'000 |
|---|---|---|
| **Expenditure** | | |
| Employee benefits expenses | 363,566 | 336,360 |
| Other services expenses | 755,724 | 860,444 |
| Depreciation, amortisation, impairment | 140,352 | 130,701 |
| Interest payments | 31,368 | 31,625 |
| Precepts and levies | 4,195 | 4,278 |
| Payments to Housing Capital Receipts Pool | 3,337 | 2,554 |
| Loss/(Gain) on the disposal of assets | -29,939 | 37,240 |
| **Total expenditure** | **1,268,602** | **1,403,202** |
| **Income** | | |
| Fees, charges and other service income | -278,958 | -275,318 |
| Interest and investment income | -931 | -916 |
| Income from council tax, non-domestic rates | -279,465 | -215,644 |
| Government grants and contributions | -670,667 | -726,746 |
| **Total income** | **-1,230,021** | **-1,218,624** |
| **Surplus or Deficit on the Provision of Services** | **38,581** | **184,578** |

### 5. Material Items of Income and Expense

**Revaluation Loss and Impairment**

In 2018/19 there was a total net revaluation loss of £76.1m. Of this, £61.0m net revaluation loss was recorded in the HRA due to a downwards revaluation on dwelling stock, and £15.1m net revaluation loss was recorded in the GF

In 2017/18 there was a total net revaluation loss of £54.8m. Of this, £48.3m net revaluation loss was recorded in the GF due to Your New Town Hall becoming operational in year, and being valued on an existing use value basis rather than on a cost basis. (The remaining £6.5m net revaluation loss was recorded in the HRA due to the social housing discount applied to properties that became operational during the year).

**Gains and Loss on Disposal of non-current assets**

In 2018/19 there was a gain on disposal relating to an overage payment for Myatt's Field amounting to £17.7m. In 2017/18 there is a net loss on disposal of non-current assets of £37.3m. In 2017/18 two Lambeth schools became academies resulting in a loss on disposal of £46.0m for the carrying value of the associated land and buildings. The amounts were £11.1m for Rosendale Primary School and £34.9m for Elmgreen School.

**Redress Scheme**

The Council included a provision of £100m in the 2017-18 accounts to fund payments for compensation for historic child abuse under the Council's redress scheme. This is shown within the Chief Executive Directorate with the net cost of services within the Comprehensive Income and Expenditure Statement. The Council utilised £14.7m in 2018-19.

### 6. Parking Places Revenue Account

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

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Enforcement Income | (17,813) | (16,107) |
| Permits | (5,735) | (5,199) |
| Suspensions | (1,686) | (1,218) |
| Pay for Parking | | |
| Off Street Income | (83) | (78) |
| On Street Income | (5,187) | (5,339) |
| **Total Income** | **(30,504)** | **(27,941)** |
| | | |
| Expenditure | 15,869 | 16,006 |
| (Surplus)/Deficit for the year | **(14,635)** | **(11,935)** |
| **Use of Surplus** | | |
| Revenue Contribution to Capital | 0 | 2,500 |
| Road Safety | 80 | 41 |
| Other Highways Expenditure | 222 | 1,585 |
| Structural Maintenance inc. Footways & Carriageways | 1,606 | 838 |
| Concessionary Fares | 9,911 | 6,300 |
| Transport Planning | 0 | 2 |
| Aids to Movement, Furniture & Fittings | 1,478 | 644 |
| Other Contributions to Transport Related Works | 0 | 20 |
| Contributions to Parking Reserves | 1,338 | 0 |
| | **14,635** | **11,930** |
| **(Surplus) / Deficit for year** | **0** | **(5)** |

### 7. Building Operations Trading Account

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

| | 2018/19 | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| | Chargeable £'000 | Non-Chargeable £'000 | Total £'000 | Chargeable £'000 | Non-Chargeable £'000 | Total £'000 |
| **Expenditure** | | | | | | |
| Employees | 372 | 248 | 620 | 362 | 155 | 517 |
| Premises | 0 | 0 | 0 | 1 | 0 | 1 |
| Transport | 5 | 3 | 8 | 4 | 2 | 6 |
| Supplies & Services | 23 | 16 | 39 | 14 | 6 | 20 |
| Third Party Payments | 1 | 1 | 2 | 5 | 2 | 7 |
| Support Services | (4) | (3) | (7) | (6) | (3) | (9) |
| Central & Support Charges | 118 | 79 | 197 | 164 | 71 | 235 |
| | **515** | **344** | **859** | **544** | **233** | **777** |
| **Income** | | | | | | |
| Building Regulations Charges | **(425)** | **0** | **(425)** | **(541)** | **0** | **(541)** |
| | | | | | | |
| **(Surplus)/Deficit for the Year** | **90** | **344** | **434** | **3** | **233** | **236** |

### 8. Members' Allowances

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Members' Allowances | 749 | 746 |
| Special Responsibility Allowance | 466 | 490 |
| Members' Expenses | 0 | 0 |
| | **1,215** | **1,236** |

**9a. Senior Officers' Remuneration**

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

| Name and Title | Notes | Year | Salary, Fees & Allowances £ | Expense Allowances £ | Redundancy / Severance payments £ | Total Remuneration excl employers' pension contributions £ | Employers' pension contributions £ | Election Payment (incl pension) £ | Total Remuneration incl employers' pension contributions £ |
|---|---|---|---|---|---|---|---|---|---|
| Andrew Travers | 1 | **2018/19** | 107,917 | 0 | 0 | 107,917 | 19,749 | 0 | 127,665 |
| Chief Executive | | 2017/18 | 123,512 | 0 | 0 | 123,512 | 0 | 0 | 123,512 |
| Sean Harriss | 2 | **2018/19** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chief Executive | | 2017/18 | 132,064 | 1,587 | 77,745 | 211,396 | 21,001 | 14,433 | 246,830 |
| Jacqueline Belton | 3 | **2018/19** | 151,045 | 0 | 13,666 | 164,711 | 21,497 | 0 | 186,209 |
| Strategic Director, Corporate Resources | | 2017/18 | 151,189 | 0 | 0 | 151,189 | 28,032 | 3,296 | 182,517 |
| Helen Charlesworth-May | 4 | **2018/19** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Strategic Director - Commissioning | | 2017/18 | 155,248 | 0 | 0 | 155,248 | 28,410 | 0 | 183,658 |
| Fiona Connolly | 5 | **2018/19** | 159,090 | 0 | 0 | 159,090 | 29,113 | 0 | 188,203 |
| Acting Strategic Director: Adults & Health | | 2017/18 | 110,169 | 0 | 0 | 110,169 | 20,161 | 0 | 130,330 |
| Susan Foster | 6 | **2018/19** | 166,005 | 0 | 91,107 | 257,113 | 21,734 | 0 | 278,847 |
| Strategic Director – Housing, Regeneration & Environment | | 2017/18 | 155,248 | 0 | 0 | 155,248 | 28,410 | 256 | 183,914 |
| Annie Hudson | 7 | **2018/19** | 152,385 | 9,000 | 0 | 161,385 | 0 | 0 | 161,385 |
| Strategic Director - Childrens' Services | | 2017/18 | 164,248 | 0 | 0 | 164,248 | 0 | 0 | 164,248 |
| Christina Thompson | | **2018/19** | 135,098 | 0 | 0 | 135,098 | 24,723 | 0 | 159,821 |
| Acting Strategic Director: Finance and Investment | | 2017/18 | 141,586 | 0 | 0 | 141,586 | 25,910 | 256 | 167,752 |
| Alison McKane | | **2018/19** | 119,652 | 0 | 0 | 119,652 | 21,896 | 0 | 141,548 |
| Director: Legal and Governance | | 2017/18 | 135,833 | 0 | 0 | 135,833 | 24,254 | 0 | 160,087 |
| Rachel Sharpe Director for Strategic Programmes | 10 | **2018/19** | 104,900 | 0 | 84,741 | 189,641 | 16,422 | 0 | 206,064 |
| | | 2017/18 | 117,562 | 0 | 0 | 117,562 | 21,467 | 0 | 139,029 |
| Interim Strategic Director: Resident Services | 11 | **2018/19** | 19,625 | 0 | 0 | 19,625 | 0 | 0 | 19,625 |
| | | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Interim Strategic Director: Sustainable Growth | 12 | **2018/19** | 24,500 | 0 | 0 | 24,500 | 0 | 0 | 24,500 |
| | | 2017/18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| The Director of Public Health | 8 | **2018/19** | 67,745 | 0 | 0 | 67,745 | 12,397 | 0 | 80,143 |
| | | 2017/18 | 85,500 | 0 | 0 | 85,500 | 12,295 | 0 | 97,795 |
| Christopher Toye Head Teacher Ashmole, Vauxhall, Herbert Morrison and Wyvil Schools | | **2018/19** | 179,172 | 0 | 0 | 179,172 | 0 | 0 | 179,172 |
| | | 2017/18 | 176,900 | 0 | 0 | 176,900 | 24,443 | 0 | 201,343 |
| Sir Craig Tunstall Federation of Kingswood & Elmwood Primary Schools and Children's Centres | 9 | **2018/19** | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | | 2017/18 | 238,799 | 0 | 0 | 238,799 | 0 | 0 | 238,799 |
| Lillian Umekwe Head Teacher Stockwell Junior School | 13 | **2018/19** | 149,683 | 0 | 30,000 | 179,683 | 23,120 | 0 | 202,803 |
| | | 2017/18 | 138,585 | 0 | 0 | 138,585 | 22,839 | 0 | 161,424 |

* Salary, fees and allowances include amounts considered for tax in the year it was paid and may include adjustments for payments relating to prior years

1. Andrew Travers started as Chief Executive Director on 1st September 2018 and was Interim Chief Executive Director before that.
2. Sean Harris left the Council on the 15th of November 2017
3. Jaqueline Belton left the council on 31st December 2018.
4. Helen Charlesworth-May left the council on 9th April 2018
5. Fiona Connolly started as Acting Strategic Director of Adults and Health on 26th March 2018
6. Susan Foster left the Council on 31st December 2018.
7. Annie Hudson -started on the 1st April, 2017 as permanent Strategic Director and was Interim Strategic Director before then.
8. The Director of Public Health was seconded from Lewisham to Lambeth from February 2017
9. Sir Craig Tunstall left the council on 27th February 2018
10. Rachel Sharpe left the council on 31st December 2018.
11. The Interim Strategic Director – Resident Services started in that role on 8th February 2019
12. The interim Strategic Director - Sustainable growth started in that role on 5th February 2019
13. Lillian Umekwe left the council on 31st March 2019.

### 9b. Remuneration Details – Higher Earners

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

| Remuneration band | Number of school employees 2018/19 | Number of school employees 2017/18 | Number of other employees 2018/19 | Number of other employees 2017/18 | Total number of employees 2018/19 | Total number of employees 2017/18 |
|---|---|---|---|---|---|---|
| £50,000 - £54,999 | 154 | 165 | 88 | 73 | 242 | 238 |
| £55,000 - £59,999 | 109 | 122 | 51 | 57 | 160 | 179 |
| £60,000 - £64,999 | 62 | 47 | 64 | 42 | 126 | 89 |
| £65,000 - £69,999 | 24 | 25 | 21 | 16 | 45 | 41 |
| £70,000 - £74,999 | 18 | 28 | 11 | 17 | 29 | 45 |
| £75,000 - £79,999 | 17 | 21 | 15 | 9 | 32 | 30 |
| £80,000 - £84,999 | 20 | 11 | 6 | 12 | 26 | 23 |
| £85,000 - £89,999 | 6 | 7 | 9 | 3 | 15 | 10 |
| £90,000 - £94,999 | 7 | 7 | 5 | 2 | 12 | 9 |
| £95,000 - £99,999 | 7 | 6 | 2 | 1 | 9 | 7 |
| £100,000 - £104,999 | 4 | 7 | 2 | 2 | 6 | 9 |
| £105,000 - £109,999 | 4 | 2 | 2 | 0 | 6 | 2 |
| £110,000 - £114,999 | 0 | 0 | 1 | 1 | 1 | 2 |
| £115,000 - £119,999 | 1 | 0 | 1 | 0 | 2 | 1 |
| £120,000 - £124,999 | 2 | 2 | 0 | 0 | 2 | 2 |
| £125,000 - £129,999 | 0 | 0 | 1 | 1 | 1 | 1 |
| £130,000 - £134,999 | 0 | 1 | 0 | 1 | 0 | 2 |
| £135,000 - £139,999 | 0 | 0 | 0 | 0 | 0 | 2 |
| Total for £50,000 to £139,999 | 435 | 451 | 279 | 237 | 714 | 692 |

* The number of senior officer employees for 2017/18 have been restated due to 4 officers being reported in the Senior Officer Remuneration note in 2018/19 that were included in the higher earners note in 2017/18.

### 9c. Exit Packages

| Exiting Package cost band (including special payments) £ | Number of compulsory redundancies 2018/19 | Number of compulsory redundancies 2017/18 | Number of other Departures agreed 2018/19 | Number of other Departures agreed 2017/18 | Total Number of Exit packages by cost band 2018/19 | Total Number of Exit packages by cost band 2017/18 | Total Cost of Exit Packages in each band £ 2018/19 | Total Cost of Exit Packages in each band £ 2017/18 |
|---|---|---|---|---|---|---|---|---|
| 0 – 20,000 | 20 | 19 | 89 | 83 | 109 | 102 | 899,475 | 773,265 |
| 20,001 – 40,000 | 14 | 2 | 15 | 14 | 29 | 16 | 845,063 | 437,274 |
| 40,001 – 60,000 | 4 | 5 | 1 | 7 | 5 | 12 | 249,933 | 586,713 |
| 60,001 – 80,000 | 0 | 4 | 1 | 2 | 1 | 6 | 67,502 | 429,735 |
| 80,001 – 100,000 | 0 | 1 | 2 | 0 | 2 | 1 | 217,081 | 80,321 |
| 100,001 - 150,000 | 1 | 0 | 0 | 0 | 1 | 0 | 126,439 | 0 |
| **Total Cost of exit package before provision** | **39** | **31** | **108** | **106** | **147** | **137** | **2,405,492** | **2,307,308** |

### 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 non-audit services provided by the Council's external auditors, KPMG and Mazars:

| | **2018/19 £'000** | 2017/18 £'000 |
|---|---|---|
| Fees with regard to external audit services carried out by the appointed auditor for the year | 176 | 208 |
| Fees for the certification of grant claims and returns for the year | 30 | 45 |
| | **206** | **253** |

Note: KPMG audited both the Statement of Accounts and Council Grants in 2017/18, but in 2018/19, KPMG is responsible for auditing of the Council Grants, while Mazars is responsible for auditing of Statement of Accounts.

## 11. Grant Income, Contributions and Taxation

### 11a. Other Revenue Grant Income

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

| Credited to Taxation and Non Specific Grant Income | **2018/19 £'000** | 2017/18 £'000 |
|---|---|---|
| Adult Social Care Support | (943) | (1,516) |
| Better Care Fund | (12,204) | (7,964) |
| Community Infrastructure Levy | (6,642) | (1,954) |
| Housing and Council Tax Benefit | (2,116) | (2,292) |
| New Homes Bonus & New Homes Bonus Top Slice | (9,726) | (11,622) |
| NDR S31 Grant | (5,978) | (4,686) |
| Tackling Troubled Families | (1,669) | (1,494) |
| Grants Under £1.5m | (1,903) | (4,704) |
| **Total Credited to Taxation and Non Specific Grant Income** | **(41,182)** | **(36,232)** |
| | | |
| Adult and Community Learning | (2,183) | (2,049) |
| Dedicated Schools Grant | (217,716) | (216,075) |
| New Homes Bonus Scheme – Pooled with GLA | (3) | (473) |
| Discretionary Housing Payments | (1,422) | (1,501) |
| Housing and Council Tax (Benefit and Subsidy) | (208,998) | (233,207) |
| JCP Flexible Support Grant | (3,842) | (3,674) |
| 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 | (1,850) | (1,719) |
| TFL Grant | (1,502) | (1,145) |
| Public Health Grant | (31,323) | (32,238) |
| Pupil Premium | (13,171) | (14,063) |
| Universal Infant Free School Meals | (2,764) | (2,867) |
| YPLA (LSC) 6th Form Grant | (5,614) | (5,902) |
| Unaccompanied Children's Grant | (562) | (1,906) |
| Other Government Grants - Revenue (under £1.5m) | (7,647) | (7,535) |
| Other non -Government Grants - Revenue | (309) | (849) |
| Better Care Fund - S75 Pooled Budget | (9,911) | (9,704) |
| Contributions from Health Authorities | (12,787) | (13,821) |
| Schools - Catering, Facilities & Services | (10,464) | (9,737) |
| Section 106 | (2,289) | (2,666) |
| Housing Zone Funding | (2,840) | 0 |
| Other Contributions under £1.5m | (4,346) | (2,690) |
| **Total Credited to Services (Grants and Contributions)** | **(551,203)** | **(573,481)** |
| **Grand Total** | **(592,385)** | **(609,713)** |

### 11b. Capital Grants and Contributions

The Council credited the following capital grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19: -

| Credited to Taxation and Non Specific Grant Income | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Transport for London | (1,483) | (2,263) |
| Section 20 Receipts | (9,099) | (8,690) |
| Standard Fund | (12,863) | (13,963) |
| S106 developers' contributions | (2,336) | (4,288) |
| Other Grants - Capital (under £1.5m) | (2,305) | (1,128) |
| Home Zone Contribution | (3,838) | (1,598) |
| Community Infrastructure Levy | (12,546) | (4,559) |
| **Total Taxation and Non Specific Grant Income** | **(44,470)** | **(36,489)** |

| Credited to Services | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Big Lottery Fund | (1,478) | 0 |
| Transport for London | (6) | (39) |
| Standards Fund | (577) | (566) |
| S106 developers' contributions | 0 | (269) |
| Other Grants-Capital (under 1.5m) | (754) | (2,122) |
| **Total Credited to Services** | **(2,815)** | **(2,996)** |

| | | |
|---|---|---|
| **Grand Total** | **(47,285)** | **(39,485)** |

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

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Capital grants and Contributions – other (see note 11b) | (44,470) | (36,489) |
| Council Tax income | (116,070) | (106,780) |
| NNDR Retained Income | (163,395) | (49,326) |
| Revenue Support Grant | (1,684) | (53,556) |
| Top-Up grant – business rates retention scheme | 0 | (59,538) |
| Other Non-service related grants (see note 11a) | (37,241) | (36,232) |
| | | |
| **Taxation and Non-Specific Grant Income** | **(362,860)** | **(341,921)** |

### 12. Related Parties

This disclosure note has been prepared using the Council's Register of Members' Declarations of Interest in addition to a specific declaration obtained in respect of related party transactions from Members and Chief Officers. The Council is required to disclose material transactions with related parties - bodies and individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. There were no outstanding balances at the 31 March 2019 unless otherwise stated.

**<u>Central Government</u>**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills and housing benefits).  Details of transactions with government departments are set out in note 11. Revenue and capital grants which have not yet been credited to the Comprehensive Income and Expenditure Statement are shown in notes 18 and 20 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 2018/19 £5.3m (£17m in 2017/18) was paid to organisations in which 18 members (19 members in 2017/18) were on the governing body. Details of all these relationships are recorded in the Register of Members' Interests or the List of Council's Representatives on Other Bodies and Outside Organisations which are open to public inspection at Lambeth Town Hall during office hours. Further information is available in note 8 on allowances paid to members.

**Other Public Bodies**

In addition, the Council paid £14.3m (£14.1m in 2017/18) to Western Riverside Waste Authority in respect of waste disposal charges and £1.5m (2017/18 £1.7m) in respect of levies.

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

The Council has borrowing (including accrued interest) of £448.2m (£414.7m in 2017/18) with the Public Works Loan Board (PWLB). Interest payable on these loans was £22.4m (£22.8m in 2017/18). The Waste Authority and PWLB are under common control of central government.

Material transactions with the Pension Fund are disclosed in the Pension Fund accounts. The Fund owed the Council £0.01m as at 31 March 2019 (£0.6m as at 31 March 2018). 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 (£0.8m in 2017/18) for expenses incurred in administering the fund. Details are in the Pension Fund Accounts.

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

**Wholly Owned Subsidiaries**

In July 2017 Lambeth Council setup four Limited Companies to deliver housing within the Council area.

These are called:

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

The Council is the sole 100% shareholder of the companies. As at 31 March 2019 no material transactions had been undertaken by the group of companies and therefore preparation of group accounts was not relevant for the 2018/19 financial year. Net expenditure between the Council and HFL during the year amounted to below £0.7m and land transfers of Lollard Street and Knights Walk are expected to materialise in 2019/20.

**13. Better Care Fund (Pooled Budget)**

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

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

| **Funding provided to the pooled budget** | **2018/19 £'000** | 2017/18 £'000 |
|---|---|---|
| Lambeth Council | (12,066) | (9,222) |
| CCG | (23,134) | (22,834) |
| **Total funding provided to the pooled budget** | **(35,200)** | **(32,056)** |
| Expenditure met from the pooled budget | | |
| Lambeth Council | 21,977 | 19,133 |
| CCG | 13,223 | 12,923 |
| **Total expenditure met from the pooled budget** | **35,200** | **32,056** |
| **Net surplus / deficit arising on the pooled budget during the year** | **0** | **0** |

## NOTES TO THE BALANCE SHEET

### 14a. Property, Plant and Equipment

| Balances as at 31 March 2019 | 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 |
| Cost or Valuation | 2,147,420 | 1,241,708 | 140,606 | 245,143 | 6,507 | 23,052 | 61,946 | **3,866,382** |
| Accumulated Depreciation | (54) | (14,192) | (89,120) | (92,693) | 0 | (10) | 0 | **(196,069)** |
| **Carrying Amount** | **2,147,366** | **1,227,516** | **51,486** | **152,450** | **6,507** | **23,042** | **61,946** | **3,670,313** |
| | | | | | | | | |
| Owned | 2,111,155 | 1,174,427 | 49,660 | 139,143 | 6,330 | 23,042 | 61,946 | **3,565,703** |
| PFI | 36,211 | 53,089 | 1,826 | 13,307 | 177 | 0 | 0 | **104,610** |
| **Carrying Amount** | **2,147,366** | **1,227,516** | **51,486** | **152,450** | **6,507** | **23,042** | **61,946** | **3,670,313** |

| 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 |
| **At 1 April 2018** | **2,315,584** | **1,234,654** | **38,817** | **154,755** | **5,559** | **21,644** | **31,784** | **3,802,797** |
| Reclassifications | (4,294) | 4,294 | 0 | 0 | (1) | 1 | 0 | **0** |
| Additions | 53,345 | 22,331 | 18,131 | 8,542 | 524 | 355 | 29,269 | **132,496** |
| Revaluations | (183,518) | (8,909) | 0 | 0 | 425 | 1,286 | 0 | **(190,715)** |
| Depreciation | (27,698) | (19,126) | (5,462) | (10,846) | 0 | (23) | 0 | **(63,155)** |
| Impairments | (2,189) | (5,728) | 0 | (1) | 0 | (221) | 0 | **(8,139)** |
| Disposals and Decommissioning | (3,864) | 0 | 0 | 0 | 0 | 0 | 0 | **(3,864)** |
| Assets reclassified (to) / from Held for Sale | 0 | 0 | 0 | 0 | 0 | 0 | 893 | **893** |
| **At 31 March 2019** | **2,147,366** | **1,227,516** | **51,486** | **152,450** | **6,507** | **23,042** | **61,946** | **3,670,313** |

| Balances as at 31 March 2018 | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| Cost or Valuation | 2,315,782 | 1,247,786 | 122,474 | 236,601 | 5,559 | 21,644 | 31,784 | **3,981,630** |
| Accumulated Depreciation | (198) | (13,131) | (83,657) | (81,847) | 0 | 0 | 0 | **(178,833)** |
| **Carrying Amount** | **2,315,584** | **1,234,654** | **38,817** | **154,755** | **5,559** | **21,644** | **31,784** | **3,802,797** |
| Owned | 2,277,055 | 1,191,820 | 37,911 | 141,141 | 5,382 | 21,644 | 31,784 | **3,706,737** |
| PFI / Finance Lease | 38,529 | 42,834 | 906 | 13,614 | 177 | 0 | 0 | **96,060** |
| **Carrying Amount** | **2,315,584** | **1,234,654** | **38,817** | **154,755** | **5,559** | **21,644** | **31,784** | **3,802,797** |

| Movements in Carrying Amount | Council Dwellings £'000 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture & Equipment £'000 | Infrastructure Assets £'000 | Community Assets £'000 | Surplus Assets £'000 | Assets Under Construction £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|
| **At 1 April 2017** | **2,227,514** | **1,183,473** | **35,797** | **155,592** | **5,249** | **34,980** | **60,649** | **3,703,254** |
| Reclassifications | 11,207 | 79,110 | (1) | (1) | (1) | (13,501) | (76,813) | **0** |
| Additions | 82,245 | 28,555 | 12,958 | 9,655 | 311 | 32 | 47,948 | **181,704** |
| Revaluations | 26,684 | 21,307 | 0 | 0 | 0 | 648 | 0 | **48,639** |
| Depreciation | (25,986) | (17,231) | (9,854) | (10,491) | 0 | (297) | 0 | **(63,859)** |
| Impairments | (2,482) | (12,187) | (12) | 0 | 0 | (218) | 0 | **(14,899)** |
| Disposals and Decommissioning | (3,598) | (46,040) | (71) | 0 | 0 | 0 | 0 | **(49,709)** |
| Assets reclassified (to) / from Held for Sale | 0 | (2,333) | 0 | 0 | 0 | 0 | 0 | **(2,333)** |
| **At 31 March 2018** | **2,315,584** | **1,234,654** | **38,817** | **154,755** | **5,559** | **21,644** | **31,784** | **3,802,797** |

### 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:

| | 2018/19<br>Software Licences<br>£'000 | 2017/18<br>Software Licences<br>£'000 |
|---|---|---|
| **Balance at start of year:** | **4,402** | **6,087** |
| · Gross carrying amounts | 14,235 | 12,947 |
| · Accumulated amortisation | (9,833) | (6,860) |
| **Net carrying amount at start of year** | **4,402** | **6,087** |
| Additions: | | |
| · Purchases | 365 | 1,288 |
| · Amortisation for the period | (1,099) | (2,973) |
| **Net carrying amount at end of year** | **3,668** | **4,402** |
| **Comprising:** | | |
| · Gross carrying amounts | 14,600 | 14,235 |
| · Accumulated amortisation | (10,932) | (9,833) |
| **Balance at end of year** | **3,668** | **4,402** |

### 14c. Capital Expenditure and Capital Financing

| Capital Financing Requirement | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| ***Opening Capital Financing Requirement*** | **860,606** | **762,298** |
| *Adjustment to prior year's closing* | 0 | 272 |
| ***Capital Investment*** | | |
| Property, Plant and Equipment | 132,496 | 183,201 |
| Heritage Assets | 135 | 144 |
| Intangible Assets | 366 | 1,288 |
| Revenue Expenditure Funded from Capital under Statute | 19,986 | 7,749 |
| Long Term Capital Debtors | 9,998 | 28,134 |
| ***Sources of Finance*** | | |
| Repayment of Loan | (21,086) | 0 |
| Capital Receipts Recycled 141 | (5,818) | (8,476) |
| Capital Receipts | (20,307) | (26,016) |
| Government grants and other contributions | (30,185) | (21,852) |
| Major Repairs Reserve | (32,057) | (30,034) |
| Section 20 | (7,129) | (7,862) |
| S106 contributions | (2,336) | (4,557) |
| Community Infrastructure Levy | (4,576) | (960) |
| Direct revenue contributions | (205) | (11) |
| Sums set aside from revenue | (7,747) | (19,883) |
| MRP / loans principal | (5,313) | (2,829) |
| ***Closing Capital Financing Requirement*** | **886,828** | **860,606** |
| ***Explanation of movements in year*** | | |
| Increase / (decrease) in underlying need to borrow | 26,222 | 98,308 |
| ***Increase / (decrease) in Capital Financing Requirement*** | **26,222** | **98,308** |

### 14d. Capital Commitments

| | 2018/19 £'000 |
|---|---|
| Finance & Investment | 4,764 |
| Resident Services (GF) | 8,858 |
| Resident Services (HRA) | 17,127 |
| Sustainable Growth & Opportunity | 523 |
| **Total** | **31,272** |

| | 2017/18 £'000 |
|---|---|
| Adults & Public Health | 148 |
| Children's Services | 18,868 |
| Housing Revenue Account | 19,342 |
| Neighbourhoods and Growth | 4,964 |
| **Total** | **43,322** |

* The figures in the note above are based on outstanding amounts on specific contracts.
** The council structure changed in 2019 to a six directorate basis

### 14e. Assets Held for Sale

| | Current | |
|---|---|---|
| | **2018/19** | 2017/18 |
| | **£'000** | £'000 |
| **Balance outstanding at start of year** | **3,226** | **893** |
| Assets newly classified as held for sale: | | |
| Property, Plant and Equipment | **0** | **2,333** |
| Assets Reclassified as Assets Under Construction | **(893)** | **0** |
| Revaluations | **(183)** | **0** |
| **Balance outstanding at year-end** | **2,150** | **3,226** |

### 14f. Heritage Assets

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

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

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

### 15a. Financial Instruments

| | Non-Current | | Current | |
|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| | £'000 | £'000 | £'000 | £'000 |
| Rents | 0 | 0 | (6,650) | (6,650) |
| Right to buy service charges and s20 creditors | 0 | 0 | (4,963) | (4,963) |
| Other payables | 0 | 0 | (122,874) | (122,470) |
| Short-term Borrowing – PWLB | 0 | 0 | (6,533) | (13,056) |
| Short-term Creditors – IFRIC 12 | 0 | 0 | (5,243) | (4,769) |
| Long-term Borrowing – PWLB | (441,634) | (401,658) | 0 | 0 |
| Long-term Creditors – IFRIC12 | (96,116) | (101,359) | 0 | 0 |
| **Total Financial Liabilities at Amortised Cost** | **(537,750)** | **(503,017)** | **(146,263)** | **(151,908)** |
| | | | | |
| Rents | 0 | 0 | 7,671 | 7,190 |
| Right to buy service charges and S20 works | 0 | 0 | 22,698 | 21,145 |
| Other receivables | 0 | 0 | 78,651 | 59,360 |
| Long-term Debtors | 27,207 | 32,496 | 0 | 0 |
| Investments | 0 | 0 | 20,027 | 74,427 |
| **Total Loans and Receivables** | **27,207** | **32,496** | **129,047** | **162,122** |

The balances on both the non-current and current categories of financial liabilities does not include all elements of creditors. The reason for exclusions is that some sections of creditors relate to statutory functions, not contractual arrangements and therefore do not meet the definition of a financial instrument or is deferred income.
Similarly, and for the same reason, the balance on current loans and receivables consists of short-term loans and excludes some elements of debtors. The short-term investments amount to £20m at 31 March 2019 and £74.4m at 31 March 2018.
All liabilities arising from financing activities, as shown above are from cash flows

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

| Reconciliation of Allowance for Credit Account (Provision for doubtful debts) | Rent Debtors | Sundry Debtors | RTB and S20 Leaseholders | Parking Debtors | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance as at 31 March 2017** | **(11,807)** | **(9,566)** | **(2,046)** | **(8,784)** | **(32,203)** |
| Write-offs | 1,956 | 898 | 0 | 5,802 | 8,656 |
| Set up/Release | (362) | (1,122) | 0 | (6,585) | (8,069) |
| **Balance as at 31 March 2018** | **(10,213)** | **(9,790)** | **(2,046)** | **(9,567)** | **(31,616)** |
| Write-offs | 2,594 | 168 | (39) | 5,081 | 7,804 |
| Set up/Release | (1,735) | 38 | (1,165) | (6,734) | (9,596) |
| **Balance as at 31 March 2019** | **(9,354)** | **(9,584)** | **(3,250)** | **(11,220)** | **(33,408)** |

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

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

| | **2018/2019** | 2017/2018 |
|---|---|---|
| | **£'000** | £'000 |
| Interest Receivable | (931) | (916) |
| Interest Payable | 31,368 | 31,637 |
| Impairment Loss on loans and receivables | (9,226) | 8,069 |
| | **21,211** | **38,790** |

### 15d. Fair Values of Assets and Liabilities

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** | **2018/2019**<br>**Fair value** | Carrying amount | 2017/2018<br>Fair value |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| Financial liabilities – PWLB debt | (441,658) | (846,012) | (408,069) | (788,182) |

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 including the Council's Treasury Management Strategy as approved by full Council 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 2019 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.
The Council's external Treasury advisors, have valued the Council's fixed term deposits (maturity investments) by comparison of the fixed term investment with a comparable investment with the same/similar lender for the remaining period of the deposit. For loans from the PWLB, they have provided fair value estimates using redemption discount rates.

The Council has a low credit risk arising from other financial assets. Debtors are not subject to internal credit rating and expected credit losses are calculated using provision matrices based on historical data for defaults. Impairments on receivables are outlined in note 15b.

### 15f. Deposits with banks and financial institutions

| **Deposits with banks and financial institutions** | **2018/2019**<br>**£'000** | 2017/2018<br>£'000 |
|---|---|---|
| Investments with Banks | 15,122 | 15,110 |
| Investments with Building Societies | 20,000 | 59,000 |

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.

### 15g. Analysis by Maturity

| Book Value at | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Maturing in 1 to 10 years | 86,357 | 81,960 |
| Maturing in 10 to 20 years | 47,256 | 42,037 |
| Maturing in 20 to 30 years | 25,642 | 41,669 |
| Maturing in 30 to 40 years | 229,801 | 183,645 |
| Maturing in more than 40 years | 52,602 | 58,758 |
| | **441,658** | **408,069** |

<u>Market Risk</u>
The Council is not exposed to any significant risks in terms of interest rate movements on its borrowing and investments. The spread of investments takes account of prevailing and as far as possible future market forecasts from different sources of the trend and future interest rates risks. All borrowing is with the Public Works Loan Board on a fixed term and fixed interest basis. Current market conditions are not conducive to raise finance unless it is for specific purposes. The return on investments would not cover the cost of servicing the debt. Interest receivable on call accounts, which move in parallel with the money markets, is credited to the Comprehensive Income and Expenditure Statement. Based on the amount of cash held in such accounts at 31 March 2019 a 1% change in interest rates would change the interest receivable by £0.00m.

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

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Central government bodies | 23,074 | 19,233 |
| Other Local Authorities | 8,354 | 6,409 |
| Public Corporations and Trading Funds | 45 | 1 |
| National Health Service Bodies | 12,563 | 5,441 |
| Other Entities and Individuals | 115,214 | 102,912 |
| **Total** | **159,250** | **133,997** |

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

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Central government bodies* | (43,161) | (62,527) |
| Other Local Authorities | (3,539) | (5,894) |
| Public Corporations and Trading Funds | (3,179) | (1,444) |
| National Health Service Bodies | (12,399) | (8,466) |
| Other Entities and Individuals | (130,356) | (138,050) |
| **Total** | **(192,634)** | **(216,381)** |

* 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

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Dedicated Schools Grant | (1,648) | (4,895) |
| Housing and Council Tax (Benefit and Subsidy) | (6,253) | (5,268) |
| JCP Flexible Support Grant | (1,316) | (835) |
| Lilian Baylis PFI Project | (1,000) | (1,000) |
| LSC - Adult & Community Learning | (678) | (782) |
| PFI HRA Myatts Field Project | 1,932 | 0 |
| Universal Infant Free School | (684) | (356) |
| S31 NDR Retail relief | (6,674) | (1,978) |
| Government Grants (under £500k) | (3,907) | (1,574) |
| **Government Grants Subtotal** | **(20,228)** | **(16,688)** |
| **Non-Government Grants** | (61) | (10) |
| **Total Revenue Grant Receipts in Advance** | **(20,289)** | **(16,698)** |

## 19. Debtors for Local Taxation

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

| | 2018/19 | | |
|---|---|---|---|
| | Lambeth £'000 | GLA £'000 | Total £'000 |
| Under 1 year | | | |
| Council Tax | 4,744 | 1,276 | 6,020 |
| Non-domestic rates | 1,038 | 584 | 1,622 |
| | | | |
| Over 1 year | | | |
| Council Tax | 6,381 | 1,717 | 8,098 |
| Non-domestic rates | 711 | 400 | 1,112 |
| | | | |
| | **12,874** | **3,977** | **16,852** |

* Total tax due but not impaired in 2017/18 was £9.9m for Council Tax and £1m for Non-domestic Rates for Lambeth. In total it Was £12.6m for Council Tax and £3.3m for Non-domestic Rates.

## 20. 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:

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Developers' contribution | (13,890) | (6,718) |
| Standard Fund | (1,196) | (1,470) |
| Other Grant | (5,597) | (2,680) |
| **CURRENT LIABILITIES** | **(20,683)** | **(10,868)** |
| Developers' contribution | (30,274) | (29,266) |
| Standard Fund | (236) | (2,823) |
| Other Grant | (1,400) | (2,433) |
| **NON-CURRENT LIABILITIES** | **(31,910)** | **(34,522)** |
| **Total Capital Grants Receipts in Advance** | **(52,593)** | **(45,390)** |

## 21. 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 2018/19 are as follows:

| 2018/19 DSG | Central Expenditure £000s | Individual Schools Budget £000s | Total £000s |
|---|---|---|---|
| Final DSG for 2018/19 before Academy and High Needs Recoupment | | | (284,654) |
| Less: Academy and high needs figure recouped for 2018/19 | | | 69,985 |
| Total DSG after Academy and high needs recoupment for 2018/19 | | | **(214,669)** |
| Plus: Brought forward from 2017/18 | | | (4,895) |
| Less: Carry-forward to 2019/20 agreed in advance | | | 0 |
| Agreed Initial Budgeted Distribution 2018/19 | **(42,943)** | **(176,621)** | **(219,564)** |
| In-year Adjustments: | 0 | 0 | 0 |
| Final budgeted distribution for 2018/19 | **(42,943)** | **(176,621)** | **(219,564)** |
| Less: Actual Central expenditure | 41,294 | 0 | 41,294 |
| Less: Actual ISB deployed to schools | 0 | 176,621 | 176,621 |
| Plus: Local Authority Contribution for 2018/19 | 0 | 0 | 0 |
| **Carried forward to 2019/20** | **(1,649)** | **0** | **(1,649)** |

**22a. Leases – Authority as Lessee**

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

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Not later than one year | 3,548 | 3,567 |
| Later than one year and not later than five years | 8,509 | 10,236 |
| Later than five years | 5,516 | 6,430 |
| | 17,573 | 20,233 |

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 2018/19 was £3.742m, comprising £3.640m Minimum Lease Payments (£3.876m in 2017/18) and £0.1m (£0.05m in 2017/18) Contingent Rental.

**22b. 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 £2.16m (£2.19m in 2017/18), represents future minimum lease payments, with no anticipated residual values at the end of the lease term (unchanged from 2017/18).

The gross investment in the lease and the minimum lease payments will be received over the following periods:

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|---|---|---|---|---|
| | 2018/2019 £'000 | 2017/2018 £'000 | 2018/2019 £'000 | 2017/2018 £'000 |
| Not later than one year | 30 | 30 | 8 | 9 |
| Later than one year and not later than five years | 119 | 119 | 28 | 30 |
| Later than five years | 2,014 | 2,044 | 89 | 95 |
| | 2,163 | 2,192 | 125 | 134 |

Of the total of £2.2m the element of unearned finance income was £1.7m, with £0.4m going towards repayment of the lease debtor (£1.8m and £0.4m in 2017/18). There was no contingent rent corresponding to these lease arrangements.

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

| | 2018/2019 £'000 | 2017/2018 £'000 |
|---|---|---|
| Not later than one year | 3,765 | 2,378 |
| Later than one year and not later than five years | 10,547 | 7,173 |
| Later than five years | 41,652 | 21,745 |
| | 55,964 | 31,296 |

The increase in future minimum lease payments receivable to the council is due to a change in the accounting methodology used to calculate the starting rent of the leases. This is also means that the contingent rental for this year is £0.00.

The total contingent rent relating to these arrangements in 2018/19 was £0.00m (2017/18 £1.15m).

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

The council has recognised five contracts on its Balance Sheet:

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 2018/19 amounted to £18.6m.

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

Norwood Hall is a PFI that started in June 2014 and £8.8m of new asset were recognized accordingly. £1.09m of payments were made in 2018/19. 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 2018/19 totalling £3.05m. 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 2018/19 amounted to £2.72m and the contract will run until 2031.The authority will take full ownership of all created and refurbished lighting at the end of the contract.

Myatt's Field North Estate is being transformed by the construction of 305 new homes, refurbishment of 172 existing homes, and the creation of new streets, play areas and green spaces. The 25 year PFI contract started in 2012, with the construction phase of the project lasting until March 2017, with a total value of £80.7m recognised since the start of the contract. Payments on this contract in 2018/19 were £10.46m. A total of 357 homes will be sold.

**23a.** The value of assets held under PFI and similar contracts and an analysis of the movement in those values.

| | Lilian Baylis | Norwood Hall | Waste Fleet | Lambeth Lighting | Myatts Field North | Total |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **01-Apr-18** | **29,209** | **13,327** | **906** | **13,614** | **39,003** | **96,059** |
| Additions | 249 | 0 | 920 | 118 | 43 | **1,330** |
| Revaluations | 0 | 10,766 | 0 | 0 | (1,879) | **8,887** |
| Depreciation | (461) | (316) | 0 | (426) | (463) | **(1,666)** |
| **31-Mar-19** | **28,997** | **23,777** | **1,826** | **13,306** | **36,704** | **104,610** |

**23b.** 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 | Lambeth Lighting | Norwood | Home to School | Waste Mgt | Myatts Field North | Sub-Total | Total |
|---|---|---|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | **£'000** | **£'000** |
| **31-March-2017** | **(9,890)** | **(8,191)** | **(8,103)** | **(141)** | **(2,588)** | **(81,802)** | **(110,715)** | **(110,715)** |
| Liability in year | | | | | | 0 | **0** | **0** |
| Payments in year | 398 | 598 | 245 | 141 | 376 | 2830 | **4,588** | **4,588** |
| **31-March-2018** | **(9,492)** | **(7,593)** | **(7,858)** | **0** | **(2,212)** | **(78,972)** | **(106,127)** | **(106,127)** |
| Liability in year | | | | | | 0 | 0 | **0** |
| Payments in year | 448 | 609 | 259 | 0 | 518 | 2935 | 4769 | **4,769** |
| **31-March-2019** | **(9,044)** | **(6,984)** | **(7,599)** | **0** | **(1,694)** | **(76,037)** | **(101,358)** | **(101,358)** |

**23c.** 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 2019 are set out in the table below.

| **Lilian Baylis** | | | | | |
|---|---|---|---|---|---|
| | **2018/19** | **2018/19** | **2018/19** | **2018/19** | **2018/19** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| | **Liability** | **Interest** | **Service** | **PPE** | **Total** |
| **Within 1 Year** | 518 | 1,550 | 906 | 156 | **3,130** |
| **2-5 Years** | 2,410 | 6,013 | 3,853 | 1,045 | **13,321** |
| **6-10 Years** | 4,680 | 7,135 | 5,319 | 1,478 | **18,612** |
| **11-15 Years** | 1,437 | 1,434 | 953 | 182 | **4,006** |
| **Total** | **9,045** | **16,132** | **11,031** | **2,861** | **39,069** |

| **Lambeth Lighting** | | | | |
|---|---|---|---|---|
| **2018/19** | **2018/19** | **2018/19** | **2018/19** | **2018/19** |
| **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Liability** | **Interest** | **Service** | **PPE** | **Total** |
| 620 | 617 | 1,278 | 121 | **2,636** |
| 2,590 | 2,010 | 5,438 | 514 | **10,552** |
| 2,873 | 1,155 | 7,821 | 1,366 | **13,215** |
| 901 | 123 | 2,843 | 552 | **4,419** |
| **6,984** | **3,905** | **17,380** | **2,553** | **30,822** |

| Waste Management | 2018/19 £'000 Liability | 2018/19 £'000 Interest | 2018/19 £'000 Service | 2018/19 £'000 Total |
|---|---|---|---|---|
| **Within 1 Year** | 713 | 817 | 17,225 | **18,755** |
| **2-5 Years** | 982 | 586 | 17,655 | **19,223** |
| **Total** | **1,695** | **1,403** | **34,880** | **37,977** |

| Myatt's Field | 2018/19 £'000 Liability | 2018/19 £'000 Interest | 2018/19 £'000 Service | 2018/19 £'000 Total |
|---|---|---|---|---|
| **Within 1 Year** | 3,130 | 5,045 | 2,662 | **10,837** |
| **2-5 Years** | 12,788 | 18,200 | 13,420 | **44,408** |
| **6-10 Years** | 18,678 | 17,671 | 21,878 | **58,227** |
| **11-15 Years** | 21,815 | 10,322 | 29,512 | **61,649** |
| **16-20 Years** | 19,625 | 4,531 | 15,883 | **40,039** |
| **21-25 Years** | 0 | 0 | 0 | **0** |
| **Total** | **76,036** | **55,769** | **83,355** | **215,160** |

| Norwood Hall | 2018/19 £'000 Liability | 2018/19 £'000 Interest | 2018/19 £'000 Service | 2018/19 £'000 Total |
|---|---|---|---|---|
| **Within 1 Year** | 262 | 591 | 204 | **1,057** |
| **2-5 Years** | 1,248 | 2,408 | 842 | **4,498** |
| **6-10 Years** | 1,797 | 2,949 | 1,538 | **6,284** |
| **11-15 Years** | 1,640 | 2,521 | 2,488 | **6,649** |
| **16-20 Years** | 2,155 | 2,475 | 2,808 | **7,438** |
| **21-25 Years** | 497 | 478 | 364 | **1,339** |
| **Total** | **7,599** | **11,422** | **8,244** | **27,265** |

## 24. Provisions

| Description | 31-Mar-18 £'000 | Additional provision £'000 | Utilised £'000 | Released £'000 | 31-Mar-19 £'000 |
|---|---|---|---|---|---|
| Dilapidations GF | (400) | 0 | 139 | 0 | (261) |
| Insurance Fund GF | (3,255) | (1,468) | 1,444 | 0 | (3,279) |
| NNDR Provision for Appeals | (3,192) | (7,449) | 4,917 | 0 | (5,724) |
| Single Status Provision | (77) | 0 | 77 | 0 | 0 |
| Redress Scheme | (97,967) | 0 | 14,689 | 0 | (83,277) |
| Tax & VAT Assessments | 0 | (285) | 0 | 0 | (285) |
| Small Provisions | (111) | (22) | 29 | 0 | (103) |
| Disputes | (1,443) | 0 | 0 | 0 | (1,443) |
| **Sub-Total GF Provisions** | **(106,444)** | **(9,224)** | **21,295** | **0** | **(94,373)** |
| Insurance Fund HRA | (2,148) | (1,707) | 1,734 | 0 | (2,121) |
| Litigation Provision | 0 | 0 | 0 | 0 | 0 |
| Sheltered Housing Provision | (96) | 0 | 0 | 0 | (96) |
| RTB receipts- Interest Penalties | 0 | (3,478) | 0 | 0 | (3,478) |
| **Sub-Total HRA Provisions** | **(2,244)** | **(5,185)** | **1,734** | **0** | **(5,695)** |
| **Total Council Provisions** | **(108,689)** | **(14,409)** | **23,029** | **0** | **(100,068)** |

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 1992 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 share is shown above and below.

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

| 2018/19 | Less than one year | Between one year and five years | Balance at 31 March 2019 |
|---|---|---|---|
| **Description** | | | |
| | **£'000** | **£'000** | **£'000** |
| Dilapidations GF | (261) | 0 | (261) |
| Insurance Fund GF | (3,279) | 0 | (3,279) |
| NNDR Provision for Appeals | (5,724) | 0 | (5,724) |
| Single Status Provision | 0 | 0 | 0 |
| Redress Scheme | (55,981) | (27,296) | (83,277) |
| Tax & VAT Assessments | (285) | 0 | (285) |
| Small Provisions | (103) | 0 | (103) |
| Disputes | (1,443) | 0 | (1,443) |
| **Sub-Total GF Provisions** | **(67,076)** | **(27,296)** | **(94,373)** |
| Insurance Fund HRA | (2,121) | 0 | (2,121) |
| Sheltered Housing Provision | (96) | 0 | (96) |
| RTB receipts- Interest Penalties | (3,478) | 0 | (3,478) |
| **Sub-Total HRA Provisions** | **(5,695)** | **0** | **(5,695)** |
| **Total Council Provisions** | **(72,772)** | **(27,296)** | **(100,068)** |

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

## 25. Contingent Liabilities

The Council has no contingent liabilities.

## 26. 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 2018/19 the Council paid £11.1m to the Teachers' Pension Agency (TPA) (£11.3m in 2017/18), representing 16.48% of pensionable pay (16.48% in 2017/18). The contributions due to be paid in the next financial year are estimated to be £15.1m in 2019/20 or 23.68% of pensionable pay. For 2018/19 the Council made contributions to the NHS Pension Scheme of £0.06m (£0.05m in 2017/18).

### 27a. Defined Benefit Pension Schemes

**Participation in pension schemes**

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

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

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

The liabilities of the LBL Pension Fund and the LPFA Pension Fund attributable to the Council are assessed on an actuarial basis using the projected unit credit method, an estimate of the current value of benefits payable in future years, dependent on assumptions about future mortality rates, salary levels etc. The London Borough of Lambeth liabilities were assessed by Hymans Robertson LLP and the LPFA liabilities were assessed by Barnett Waddingham Public Sector Consulting, both of whom are independent firms of actuaries. Council liabilities are based on the latest full valuation of the scheme as at 31 March 2019.

| | **2018/19** | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| | **Scheme Assets £000** | **Pensions Obligations £000** | **Net Pensions Liability £000** | Scheme Assets £000 | Pensions Obligations £000 | Net Pensions Liability £000 |
| **Opening Balance at 1 April** | **(1,421,970)** | **2,058,135** | **636,165** | **(1,393,779)** | **2,052,018** | **658,239** |
| Current Service Cost | 0 | 44,719 | **44,719** | 0 | 46,246 | **46,246** |
| Past Service cost and gains/losses on curtailments | 0 | 12,077 | **12,077** | 0 | 459 | **459** |
| Interest Income and Expense | (38,007) | 55,332 | **17,325** | (35,804) | 52,813 | **17,009** |
| Admin Expense | 96 | 0 | **96** | 95 | 0 | **95** |
| **Remeasurements** | | | | | | |
| Return on Plan Assets | (38,473) | (3,206) | **(41,679)** | (6,523) | 5,292 | **(1,231)** |
| Actuarial Gains and Losses arising from changes in demographic assumptions | 0 | (2,226) | **(2,226)** | 0 | 0 | **0** |
| Actuarial Gains and Losses from changes in Financial Assumptions | 0 | 152,098 | **152,098** | 0 | (37,010) | **(37,010)** |
| **Contributions** | | | | | | |
| The Council | (42,445) | 0 | **(42,445)** | (41,513) | 0 | **(41,513)** |
| Employees | (8,143) | 8,143 | **0** | (8,243) | 8,243 | **0** |
| **Payments** | | | | | | |
| Retirement Grants and Pensions | 65,551 | (65,551) | **0** | 62,532 | (62,532) | **0** |
| Settlements | 702 | (2,019) | **(1,317)** | 1,265 | (7,394) | **(6,129)** |
| **Closing Balance at 31 March** | **(1,482,689)** | **2,257,502** | **774,813** | **(1,421,970)** | **2,058,135** | **636,165** |

Note: 2017/18 has been restated to adjust for a bought forward pension's correction

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

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

The principal assumptions used by the actuaries have been:

| | LPFA 2018/19 | 2017/18 | Lambeth 2018/19 | 2017/18 |
|---|---|---|---|---|
| Longevity at 65 for current pensioners: Men | **19.9 years** | **20.9 years** | **21.6 years** | **21.6 years** |
| Women | **22.9 years** | **23.8 years** | **23.9 years** | **23.9 years** |
| Longevity at 65 for future pensioners: Men | **21.7 years** | **23.2 years** | **23.8 years** | **23.8 years** |
| Women | **24.8 years** | **26.1 years** | **26.0 years** | **26.0 years** |
| Rate of increase in salaries | **4%** | **3.85%** | **2.90%** | **2.80%** |
| Rate of increase in pensions(CPI) | **2.50%** | **2.35%** | **2.50%** | **2.40%** |
| Rate for discounting scheme liabilities | **2.30%** | **2.50%** | **2.40%** | **2.70%** |

A sensitivity analysis of the key methodological assumptions of the actuarial valuation can be found in note 2 on page 38. The Council is entitled to 97% of the assets and liabilities of the Pension Fund, details of which can be found within the Pension Fund notes 1-25. The Council's share of the LPFA Asset Breakdown can be found below, but it must be remembered that the Council only represents 1% of the assets.

| **Employer Asset Share – Bid Value** | **31 March 2019** | | 31 March 2018 | |
|---|---|---|---|---|
| | **£'000s** | **%** | £'000s | **£'000s** |
| Equities | **41,961** | **62** | **45,383** | **62** |
| LDI/Cashflow matching | **0** | **0** | **0** | **0** |
| Target Return Portfolio | **20,569** | **22** | **16,633** | **22** |
| Infrastructure | **4,647** | **4** | **3,246** | **4** |
| Commodities | **0** | **0** | **0** | **0** |
| Property | **7,253** | **7** | **5,341** | **7** |
| Cash | **2,700** | **5** | **3,615** | **5** |
| **Total** | **77,130** | **100** | **74,218** | **100** |

There has been an overall increase in the net pension liability for 2018/19. The Council's obligations are an estimate, based on the best evidence that the actuaries have at March 31st 2019.

The Council's agreed strategy with the actuary is to achieve a funding level of 100% over 20 years (March 31st 2033). Funding levels are monitored annually and the triennial valuation, although due in 2019/20 will be based on figures as at 31st March 2019. The estimated employers' contributions for the year ending 31 March 2019 will be approximately £16,502,536. 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.

### 27b. 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** | **2018/19 £000** | **2017/18 £000** |
|---|---|---|
| *Cost of Services* | | |
| Current Service Cost | 44,719 | 46,246 |
| Past Service cost and gains/losses on curtailments | (649) | (5,670) |
| Admin Expense | 96 | 95 |
| *Financing and Investment Income and Expenditure* | | |
| Interest Income and Expense (Net) | 17,172 | 17,009 |
| **Total Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services** | **61,338** | **57,680** |
| *Re-measurements of the Net Defined Benefit Liability* | | |
| • Return on Plan Assets | (69,610) | (1,231) |
| • Actuarial Gains and Losses from changes in Financial Assumptions | 152,098 | (37,010) |
| • Actuarial Gains and Losses arising from changes in demographic assumptions | (2,226) | 0 |
| **Total Re-measurements Recognised in CIES** | **80,262** | **(38,241)** |
| **Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement** | **141,600** | **19,439** |

## 28. 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 2019 £'000** | Balance at 31 March 2018 £'000 |
|---|---|---|
| Monies Held on behalf of adult care clients | (6,475) | (6,224) |
| Monies Held on behalf of children in care | (14) | (18) |
| Wellington Mills - Housing Corporative | (307) | (307) |
| Others* | (255) | (293) |
| **Total Trust Funds** | **(7,051)** | **(6,842)** |

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

** Figures for 2017/18 have been restated for Wellington Mills due to a typographical error which showed the figure as positive when it was negative

## 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.

| 2018/19 | Usable Reserves: General Fund Balance £000s | Housing Revenue Account £000s | Capital Receipts Reserve £000s | Major Repairs Reserve £000s | Capital Grants Unapplied £000s | Unusable Reserves £000s | Relevant Unusable Reserve |
|---|---|---|---|---|---|---|---|
| **Adjustments to Revenue Resources** | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements: | | | | | | | |
| · Financial instruments | 832 | 234 | 0 | 0 | 0 | (1,066) | Financial Instruments Adjustment Account |
| · Pensions costs | (30,187) | (268) | 0 | 0 | 0 | 30,455 | Pensions Reserve |
| · Council tax | (7,605) | 0 | 0 | 0 | 0 | 7,605 | Collection Fund Adjustment Account |
| · Holiday pay | (11) | 7 | 0 | 0 | 0 | 4 | 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 | (1,025) | (76) | 0 | 0 | 0 | 1,100 | Capital Adjustment Account |
| · Charges for depreciation and impairment | (46,323) | (92,951) | 0 | 0 | 0 | 139,274 | Capital Adjustment Account |
| · Revenue expenditure funded from capital under statute | (19,986) | 0 | 0 | 0 | 0 | 19,986 | Capital Adjustment Account |
| · Carrying amounts of non-current assets written off on disposal or sale | 0 | (3,864) | 0 | 0 | 0 | 3,864 | Capital Adjustment Account |
| · Capital grant income | 14,436 | 9,099 | 0 | 0 | (23,535) | 0 | Capital Adjustment Account |
| **Transfers between Revenue and Capital Resources** | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve | 20,250 | 13,803 | (34,053) | 0 | 0 | 0 | Deferred Capital Receipts |
| **Use of capital receipts for revenue purposes:** | | | | | | | |
| · Payments to the Government housing receipts pool | (3,337) | 0 | 3,337 | 0 | 0 | 0 | |
| Posting of HRA resources from revenue to the Major Repairs Reserve | 0 | 32,057 | 0 | (32,057) | 0 | 0 | |
| Statutory revenue provisions for the financing of capital investment | 2,377 | 2,935 | 0 | 0 | 0 | (5,313) | Capital Adjustment Account |
| Capital expenditure financed from revenue balances | 251 | 7,701 | 0 | 0 | 0 | (7,952) | Capital Adjustment Account |
| **Adjustments to Capital Resources** | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 26,125 | 0 | 0 | (26,125) | Capital Adjustment Account |
| Application of S. 106 Receipts to Finance new Capital | 2,336 | 0 | 0 | 0 | 0 | (2,336) | Capital Adjustment Account |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | 32,057 | 0 | (32,057) | Capital Adjustment Account |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Application of capital grants to finance capital expenditure | 22,349 | 0 | 0 | 0 | 19,542 | (41,890) | |
| Redress Capitalisation Scheme | 14,689 | 0 | 0 | 0 | 0 | (14,689) | Redress Capitalisation Directive Reserve |
| **Total Adjustments** | **(30,954)** | **(31,322)** | **(4,590)** | **0** | **(3,994)** | **70,861** | |

| 2017/18 | Usable Reserves General Fund Balance £000s | Housing Revenue Account £000s | Capital Receipts Reserve £000s | Major Repairs Reserve £000s | Capital Grants Unapplied £000s | Unusable Reserves £000s | Relevant Unusable Reserve |
|---|---|---|---|---|---|---|---|
| **Adjustments to Revenue Resources** | | | | | | | |
| Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement differ from increases/decreases in revenue for the year calculated in accordance with statutory requirements: | | | | | | | |
| · Financial instruments | 100 | 234 | 0 | 0 | 0 | (334) | Financial Instruments Adjustment Account |
| · Pensions costs | (15,473) | (694) | 0 | 0 | 0 | 16,167 | Pensions Reserve |
| · Council tax | 6,123 | 0 | 0 | 0 | 0 | (6,123) | Collection Fund Adjustment Account |
| · Holiday pay | 240 | 27 | 0 | 0 | 0 | (267) | Accumulated Absences Account |
| Cancellation of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure: | | | | | | | |
| · Amortisation of intangible assets | (2,897) | (76) | 0 | 0 | 0 | 2,973 | Capital Adjustment Account |
| · Charges for depreciation and impairment | (91,561) | (36,167) | 0 | 0 | 0 | 127,728 | |
| · Revenue expenditure funded from capital under statute | (7,749) | 0 | 0 | 0 | 0 | 7,749 | |
| · Carrying amounts of non-current assets written off on disposal or sale | (46,111) | (3,598) | 0 | 0 | 0 | 49,709 | |
| · Capital grant income | 37,981 | 8,691 | 0 | 0 | (28,855) | (17,817) | |
| **Transfers between Revenue and Capital Resources** | | | | | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve and Deferred Capital Receipts Reserve | 226 | 12,243 | (32,707) | 0 | 0 | 20,238 | Deferred Capital Receipts |
| Use of capital receipts for revenue purposes: | | | | | | | |
| · Payments to the Government housing receipts pool | (2,554) | 0 | 2,554 | 0 | 0 | 0 | |
| Posting of HRA resources from revenue to the Major Repairs Reserve | 0 | 29,707 | 0 | (29,707) | 0 | 0 | |
| Statutory revenue provisions for the financing of capital investment | 2,264 | 566 | 0 | 0 | 0 | (2,830) | Capital Adjustment Account |
| Capital expenditure financed from revenue balances | 3,779 | 16,115 | 0 | 0 | 0 | (19,894) | |
| **Adjustments to Capital Resources** | | | | | | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | 0 | 0 | 34,492 | 0 | 0 | (34,492) | Capital Adjustment Account |
| Application of S. 106 Receipts to Finance new Capital | 4,557 | 0 | 0 | 0 | 0 | (4,557) | |
| Use of the Major Repairs Reserve to finance capital expenditure | 0 | 0 | 0 | 30,034 | 0 | (30,034) | |
| Application of capital grants to finance capital expenditure | 0 | 0 | 0 | 0 | 12,857 | (12,857) | |
| Redress Capitalisation Scheme | (97,967) | 0 | 0 | 0 | 0 | 97,967 | Redress Capitalisation Directive Reserve |
| **Total Adjustments** | **(209,042)** | **27,047** | **4,339** | **327** | **(15,998)** | **193,327** | |

### 30a. Usable Reserves

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| General Fund | (21,308) | (22,850) |
| LMS Balances | (13,735) | (15,150) |
| Earmarked Reserves – General Fund* | (73,038) | (48,935) |
| Earmarked Reserves - HRA | (46,923) | (44,390) |
| Housing Revenue Account | (10,767) | (10,750) |
| Capital Receipts Reserve | (69,169) | (64,578) |
| Capital Grants Unapplied Account | (78,911) | (74,917) |
| Major Repairs Reserve | 251 | 251 |
| **Total Usable Reserves** | (313,599) | (281,319) |

* **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

| LMS BALANCE | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Balance at 01 April | (15,150) | (15,964) |
| Overspent School Balances | 5,371 | 3,882 |
| Underspent School Balances | (3,956) | (3,068) |
| Balance at 31 March | (13,735) | (15,150) |

### 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 2018/19.

| General Fund Reserves | Balance at 31 March 2018 £'000 | Transfers in £'000 | Transfers out £'000 | Balance at 31 March 2019 £'000 |
|---|---|---|---|---|
| Earmarked Grants & Budget Carry-Forwards | (13,160) | (18,275) | 16,262 | (15,173) |
| Information and Communication Technology Investment | (908) | (1,208) | 1,743 | (373) |
| Insurance and Risk Management | (4,833) | (4,854) | 5,218 | (4,469) |
| Property and Assets | (12,287) | (22,805) | 17,176 | (17,916) |
| Transformation | (6,698) | (9,227) | 6,987 | (8,938) |
| Medium Term Financial Risk Reserve | (2,839) | (4,177) | 2,839 | (4,177) |
| Economic Cycle Resilience Reserve | 0 | (9,600) | 0 | (9,600) |
| CIL Reserve* | (8,210) | (11,923) | 7,740 | (12,393) |
| **GF Sub-total** | (48,935) | (82,069) | 57,966 | (73,038) |
| **Housing Revenue Account Reserves** | | | | |
| Insurance and Risk Management | (28,671) | (32,121) | 29,924 | (30,868) |
| Property and Assets | (15,719) | (29,375) | 29,039 | (16,055) |
| **HRA Sub-total** | (44,390) | (61,496) | 58,963 | (46,923) |
| | | | | |
| **Council Total** | (93,325) | (143,565) | 116,929 | (119,961) |

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

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

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

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

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

**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.

| | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| Balance brought forward 1 April | **(64,578)** | **(68,918)** |
| Capital receipts in year | (33,802) | (32,707) |
| Use of capital receipts in year | | |
| Payment to CLG – Contribution to pooled capital receipts | 3,337 | 2,554 |
| Financing of capital expenditure | 25,875 | 34,492 |
| **Balance carried forward 31 March** | **(69,169)** | **(64,579)** |

**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.

| | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| Balance brought forward 1 April | **(74,917)** | **(58,919)** |
| Grants transferred to the account in year | (23,536) | (28,855) |
| Grants applied to capital expenditure | 19,542 | 12,857 |
| **Balance carried forward 31 March** | **(78,911)** | **(74,917)** |

**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.

| | 2018/19<br>£'000 | 2017/18<br>£'000 |
|---|---|---|
| **Balance brought forward** | **251** | **(75)** |
| Debits to the MRR in respect of capital expenditure | 32,057 | 30,033 |
| Transfer from HRA equal to depreciation | (32,057) | (29,707) |
| **Total** | **251** | **251** |

## 31. Unusable Reserves

| Unusable Reserve | Opening Balance 01-Apr-18 £000 | Other Comprehensive Income and Expenditure 2018/19 (CIES) £000 | Adjustments between Accounting and Funding Basis 2018/19: Adjustments to Revenue Resources £000 | Transfers Between Revenue and Capital Resources £000 | Adjustments to Capital Resources £000 | Other Movements £000 | Closing Balance 31-Mar-19 £000 |
|---|---|---|---|---|---|---|---|
| Revaluation Reserve | **(1,044,268)** | 122,940 | 0 | 0 | 0 | 19,650 | **(901,679)** |
| Financial Instruments Adjustment Account | **1,250** | 0 | (1,066) | 0 | 0 | 0 | **185** |
| Pensions Reserve | **636,165** | 108,193 | 30,455 | 0 | 0 | 0 | **774,813** |
| Collection Fund Adjustment Account | **(22,935)** | 0 | 7,605 | 0 | 0 | 0 | **(15,330)** |
| Accumulated Absences Account | **4,096** | 0 | 4 | 0 | 0 | 0 | **4,100** |
| Capital Adjustment Account | **(1,935,857)** | 0 | 164,225 | (13,265) | (102,408) | (19,650) | **(1,906,954)** |
| Deferred Capital Receipts | **(393)** | 0 | 0 | 0 | 1 | 0 | **(392)** |
| Redress Capitalisation Directive Reserve | **97,967** | 0 | 0 | 0 | (14,689) | 0 | **83,278** |
| | | | | | | | |
| **Total** | **(2,263,975)** | **231,133** | **201,223** | **(13,265)** | **(117,096)** | **0** | **(1,961,979)** |

| Unusable Reserve | Opening Balance 1 April 2017 £000 | Other Comprehensive Income and Expenditure (CIES) £000 | Adjustments between Accounting and Funding Basis 2017/18: Adjustments to Revenue Resources £000 | Transfers Between Revenue and Capital Resources £000 | Adjustments to Capital Resources £000 | Other Movements £000 | Closing Balance 31 March 2018 £000 |
|---|---|---|---|---|---|---|---|
| Revaluation Reserve | **(976,505)** | (97,608) | 0 | 0 | 0 | 29,845 | **(1,044,268)** |
| Financial Instruments Adjustment Account | **1,584** | 0 | (334) | 0 | 0 | 0 | **1,250** |
| Pensions Reserve | **658,240** | (38,241) | 16,167 | 0 | 0 | 0 | **636,165** |
| Collection Fund Adjustment Account | **(16,812)** | 0 | (6,123) | 0 | 0 | 0 | **(22,935)** |
| Accumulated Absences Account | **4,363** | 0 | (267) | 0 | 0 | 0 | **4,096** |
| Capital Adjustment Account | **(1,971,690)** | 0 | 170,342 | (22,724) | (81,940) | (29,845) | **(1,935,857)** |
| Deferred Capital Receipts | **(20,632)** | 0 | 0 | 20,238 | 1 | 0 | **(393)** |
| Redress Capitalisation Directive Reserve | **0** | 0 | 0 | 0 | 97,967 | 0 | **97,967** |
| | | | | | | | |
| **Total** | **(2,321,452)** | **(135,849)** | **179,785** | **(2,486)** | **16,028** | **0** | **(2,263,975)** |

Note: 2017/18 Pension Reserve has been restated to adjust for a bought forward pension's correction

**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 MIRs 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 2019 will be charged to the General Fund over the next 10 years and to the HRA for the next three years.

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

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

## NOTES TO THE CASH FLOW STATEMENT

### 32. Investing Activities

| | **2018/19 £'000** | 2017/18 £'000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | 131,479 | 183,467 |
| Purchase of short-term and long-term investments | 27,500 | 74,000 |
| Proceeds from the sale of property, plant and equipment and intangible assets | (34,053) | (12,469) |
| Proceeds from short-term and long-term investments | (81,500) | (123,000) |
| Other receipts from investing activities | (55,499) | (39,820) |
| **Net cash flows from investing activities** | **(12,073)** | **82,178** |

### 33. Financing Activities

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Cash receipts of short and long-term borrowing | (40,000) | 4,648 |
| Council Tax and NNDR adjustments | 30,895 | (19,797) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 4,769 | 4,588 |
| Repayments of short- and long-term borrowing | 6,411 | 0 |
| **Net cash flows from financing activities** | **2,075** | **(10,561)** |

### 34. Operating Activities (Interest)

The cash flows for operating activities include the following items:

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Interest received | (530) | (1,153) |
| Interest paid | 31,245 | 31,637 |

### 35. Cash and Cash Equivalents

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

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Cash held by the Authority | 74 | 55 |
| Bank current accounts in current assets | 50,729 | 16,198 |
| Short-term deposits with banks | 5,133 | 110 |
| **Total Cash and Cash Equivalents** | **55,936** | **16,363** |

### 36. Reconciliation of Liabilities Arising From Financing Activities

| | 2018/19 | Financing Cash Flows | Non-cash changes | | 2017/18 |
|---|---|---|---|---|---|
| | | | Acquisition | Other non-cash changes | |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Long-term borrowings | (441,634) | (39,976) | 0 | 0 | (401,658) |
| Short term borrowings | (6,533) | 6,523 | 0 | 0 | (13,056) |
| Lease Liabilities | 0 | 0 | 0 | 0 | 0 |
| On balance sheet PFI liabilities | (101,359) | 4,769 | 0 | 0 | (106,129) |
| Total liabilities from financing activities | **(549,526)** | **(28,684)** | **0** | **0** | **(520,843)** |

## 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.

| | | 2018/19 | | 2017/18 | |
|---|---|---|---|---|---|
| | Note | £'000 | £'000 | £'000 | £'000 |
| **Income** | | | | | |
| Dwelling rents | | (138,940) | | (138,990) | |
| Non dwelling rents | | (2) | | (482) | |
| Charges for services and facilities | | (36,226) | | (38,050) | |
| Contributions Towards Expenditure | | (4,227) | | (487) | |
| PFI Credit | | (7,729) | | (7,733) | |
| | | | (187,124) | | (185,741) |
| **Expenditure** | | | | | |
| Repairs and maintenance | | 24,683 | | 24,310 | |
| Supervision and management | | 81,820 | | 81,285 | |
| Rents, rates, taxes and other charges | | 8,060 | | 7,814 | |
| Depreciation of property, plant and equipment | 41 | 32,037 | | 29,707 | |
| Impairment / Revaluation loss | 41 | 60,970 | | 6,536 | |
| Increase in Bad Debt Provision | | 839 | | 728 | |
| | | | **208,409** | | 150,380 |
| **Net cost of HRA services included in the Comprehensive Income and Expenditure Statement** | | | **21,285** | | **(35,361)** |
| HRA share of Corporate and Democratic Core | | | 601 | | 670 |
| **Net Expenditure of HRA Services** | | | **21,886** | | (34,691) |
| **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement** | | | | | |
| Interest payable and similar charges – other | | | 26,145 | | 25,823 |
| Gain or Loss on disposal | | | (9,939) | | (8,646) |
| Interest and investment income | | | (221) | | (52) |
| Capital Grants and Contributions - other | | | (9,099) | | (8,690) |
| **(Surplus)/Deficit for the year on HRA services** | | | **28,772** | | (26,256) |

## STATEMENT OF MOVEMENT ON THE HRA BALANCE

| | 2018/19 | | 2017/18 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Balance on the HRA at the end of the previous year | | **(10,750)** | | (10,746) |
| (Surplus) or deficit for the year on the HRA Income & Expenditure Statement | 28,773 | | (26,256) | |
| Adjustments Between Accountancy Basis and Funding Basis under Statute | (31,322) | | 27,047 | |
| Net (Increase) or Decrease before Transfers to or from Reserves | | **(2,549)** | | 791 |
| Transfers to or (from) Reserves (see Note 30c) | | 2,533 | | (795) |
| (Increase) or Decrease in year on the HRA | | **(16)** | | (4) |
| Balance on the HRA at the end of the current year | | **(10,766)** | | (10,750) |

## NOTES TO THE HOUSING REVENUE ACCOUNT

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

| | **2018/19 £'000** | 2017/18 £'000 |
|---|---|---|
| **Items included in the HRA Income and Expenditure Statement but excluded from the movement on HRA Balance for the year** | | |
| Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute | 234 | 234 |
| **Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with the Statutory HRA requirements:** | | |
| Impairments / Revaluation loss | (60,970) | (6,536) |
| Capital Grants and Contributions | 9,099 | 8,691 |
| Depreciation of non-current assets | (32,057) | (29,707) |
| Carrying amount of non-current assets disposed of | (3,864) | (3,598) |
| Mitigation of accumulated absences provision | 7 | 27 |
| Net charges made for retirement benefits in accordance with IAS 19 | 4,927 | (6,784) |
| **Items not included in the HRA Income and Expenditure Statement but included in the Movement on HRA Balances for the year:** | | |
| Capital expenditure financed from revenue balances | 7,701 | 16,115 |
| Minimum Revenue Provision | 2,935 | 566 |
| Transfer to Major Repairs Reserve | 32,057 | 29,707 |
| Transfer to Capital Receipts Reserve of proceeds from disposal of non-current assets | 13,802 | 12,242 |
| Employer's contributions payable to the Lambeth Pension Fund and retirement benefit payable direct to pensioners | (5,194) | 6,090 |
| **Adjustments Between Accountancy Basis and Funding Basis under Statute less Transfers to or from Reserves** | **(31,322)** | **27,047** |

### 38. Housing stock

| | 31 March 2018 | **Movement** | **31 March 2019** |
|---|---|---|---|
| Flats | 19,908 | (18) | 19,890 |
| Houses | 3,920 | (36) | 3,884 |
| Multi-occupied | 181 | 0 | 181 |
| **Total** | **24,009** | **(54)** | **23,955** |
| | | | |
| Right to buy sales | | (48) | |
| Buybacks | | 14 | |
| New creations | | 5 | |
| Stock Transfers | | (25) | |
| **Total movement** | | **(54)** | |

### 39. HRA assets

| | **2018/19 £'000** | **2017/18 £'000** |
|---|---|---|
| Council dwellings | 2,147,366 | 2,315,583 |
| Other Land & Buildings | 134,408 | 106,832 |
| Community Assets | 177 | 177 |
| Surplus | 5,429 | 5,158 |
| Assets held for sale | 33 | 33 |
| Vehicles, Plant & Equipment | 34,583 | 24,973 |
| Assets under Construction | 20,021 | 13,195 |
| Intangibles | 76 | 151 |
| **TOTAL** | **2,342,093** | **2,466,102** |

## 40. Capital expenditure, financing and receipts

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| **HRA capital expenditure** | | |
| Works to dwellings | 33,393 | 67,791 |
| Other Land & Buildings | 0 | 2,173 |
| Vehicles, Plant & Equipment | 12,601 | 9,061 |
| Revenue funded from capital under statute | 818 | 871 |
| | **46,812** | **79,896** |
| **Financing of capital expenditure** | | |
| Borrowing | 0 | 25,885 |
| Usable Capital Receipts | 0 | 16,115 |
| Major Repairs Reserve less Decent Homes | 32,057 | 30,034 |
| Section 20 | 7,626 | 7,862 |
| Reserves / Revenue | 7,129 | 0 |
| **Total** | **46,812** | **79,896** |

## 41. Depreciation and impairment

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| **Depreciation charged for the year** | | |
| Operational assets | | |
| - dwellings | 27,627 | 26,168 |
| - other property | 4,397 | 3,468 |
| Non-operational assets | | |
| - dwellings | 10 | 54 |
| - other property | 0 | 17 |
| **Total Depreciation** | **32,057** | **29,707** |
| **Impairments and revaluation losses charged for the year** | | |
| Operational assets | | |
| - dwellings | 60,253 | 9,406 |
| - other property | 219 | 268 |
| Non-operational assets | | |
| - dwellings | 0 | 189 |
| - other property | 221 | 45 |
| | **60,693** | **9,908** |
| **Impairment losses reversed** | | |
| Operational assets | | |
| - dwellings | (779) | (5,904) |
| - other property | (1,893) | (404) |
| Non-operational assets | | |
| - dwellings | 0 | 0 |
| | **(2,672)** | **(6,308)** |
| **Net Impairment** | **58,021** | **3,600** |

## 42. Rent arrears

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| | **11,121** | **8,921** |
| Provision for bad debts | **(5,002)** | **(6,476)** |
| **Collectable amount** | **6,119** | **2,445** |

**43. Vacant Possession Value**

The vacant possession value of dwellings within the HRA at 31st December 2018 was £8.674 billion (£9.105 billion at 31 December 2017) which has been reduced to £2.168 billion (£2.272 billion at 31 December 2017) billion to reflect social housing use subsidised housing. This shows the economic cost to the government of providing council housing at less than market rents.

The value of dwellings decreased by a further £30 million (2%) between the valuation date and 31st March 2018 to £2.138 billion,this decrease can be attributed to a 2% write down on buildings only. The Vacant Possession value remains materially correct.

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

The HRA Income and Expenditure account has suffered a charge from the Pension Reserve of £5.26m (charge of £6.78m in 2017/18), 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 | 2018/19 NNDR £'000 | 2018/19 Council Tax £'000 | 2018/19 Total £'000 | 2017/18 NNDR £'000 | 2017/18 Council Tax £'000 | 2017/18 Total £'000 |
|---|---|---|---|---|---|---|
| **INCOME** | | | | | | |
| Council Tax Receivable | | (153,275) | (153,275) | 0 | (138,458) | (138,458) |
| Business Rates Receivable | (161,153) | | (161,153) | (134,916) | 0 | (134,916) |
| Business Rates Supplement | (4,875) | | (4,875) | (4,343) | 0 | (4,343) |
| | **(166,028)** | **(153,275)** | **(319,303)** | **(139,259)** | **(138,458)** | **(277,717)** |
| **EXPENDITURE** | | | | | | |
| LB Lambeth | 104,467 | 117,626 | 222,093 | 48,631 | 106,644 | 155,275 |
| Central Government | 0 | 0 | 0 | 54,581 | 0 | 54,581 |
| Greater London Assembly (GLA) | 58,763 | 31,692 | 90,455 | 61,197 | 28,983 | 90,180 |
| **Business Rates Supplement** | | | | | | |
| Payment to GLA | 4,875 | 0 | 4,875 | 4,343 | 0 | 4,343 |
| **Charges to Collection Fund** | | | | | | |
| Write-offs of uncollectable amounts | 715 | 2,427 | 3,142 | (633) | 2,234 | 1,601 |
| Increase/(Decrease) in Bad Debt Provisions | (182) | 3,504 | 3,322 | 1,724 | (291) | 1,433 |
| Increase/(Decrease) in Provision for Appeals | (1,697) | 0 | (1,697) | (11,071) | 0 | (11,071) |
| Transitional Protection Payments | (11,775) | 0 | (11,775) | (19,044) | 0 | (19,044) |
| Cost of Collection | 507 | 0 | 507 | 508 | 0 | 508 |
| | **155,673** | **155,249** | **310,922** | **140,236** | **137,570** | **277,806** |
| **(Surplus) / Deficit during year** | **(10,355)** | **1,974** | **(8,381)** | **977** | **(888)** | **89** |
| **Collection Fund (Surplus)/Deficit at 1 April** | **(35,270)** | **(16,022)** | **(51,292)** | (1,060) | (20,615) | (21,675) |
| Fund balance distributed in year | 29,422 | 4,886 | 34,308 | (35,187) | 5,481 | (29,706) |
| (Surplus) / Deficit during year | (10,355) | 1,973 | (8,382) | 977 | (888) | 89 |
| **Collection Fund (Surplus)/Deficit at 31 March** | **(16,203)** | **(9,163)** | **(25,366)** | **(35,270)** | **(16,022)** | **(51,292)** |
| **Analysis of Fund balance distributed in year:** | | | | | | |
| LB Lambeth | 8,827 | 3,849 | 12,676 | (10,556) | 4,310 | (6,246) |
| Central Government | 15,871 | 0 | 15,871 | (17,593) | 0 | (17,593) |
| GLA | 4,724 | 1,037 | 5,761 | (7,038) | 1,171 | (5,867) |
| | **29,422** | **4,886** | **34,308** | **(35,187)** | **5,481** | **(29,706)** |

**SHARE OF BALANCES BETWEEN LONDON BOROUGH OF LAMBETH AND ITS PRECEPTORS**

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

| COLLECTION FUND | Total Collection Fund £'000s | | Central Government £'000s | | London Borough of Lambeth £'000s | | Greater London Assembly £'000s | |
|---|---|---|---|---|---|---|---|---|
| | CTAX | NNDR | CTAX | NNDR | CTAX | NNDR | CTAX | NNDR |
| **Apportionment Basis** | **100%** | **100%** | **N/A** | **0%** | **78.8%** | **64%** | **21.2%** | **36%** |
| Arrears | **36,568** | **5,120** | **N/A** | **0** | **28,816** | **3,277** | **7,752** | **1,843** |
| Bad Debt Provision | **(22,518)** | **(3,581)** | **N/A** | **0** | **(17,744)** | **(2,292)** | **(4,774)** | **(1,289)** |
| Appeals Provision | **N/A** | **(8,944)** | **N/A** | **0** | **N/A** | **(5,724)** | **N/A** | **(3,220)** |
| Overpayments & Pre-payments | **(7,892)** | **(9,399)** | **N/A** | **0** | **(6,219)** | **(6,016)** | **(1,673)** | **(3,384)** |
| (Surplus)/Deficit | **(9,163)** | **(16,203)** | **N/A** | **4,232** | **(7,220)** | **(8,382)** | **(1,943)** | **(12,054)** |

## NOTES TO THE COLLECTION FUND

### 45. 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 2019, the band D Council Tax was set at £1,386.27 based upon a tax base of 107,712 (for 2017/18, £1,310.34 based upon a tax base of 103,505) and includes the £294.23 requirement of the Greater London Authority (£280.02 in 2017/18). The table below shows the calculation of the Council Tax Base for 2018/19.

| Valuation Band | Total no. of dwellings on valuation list | Total equivalent dwellings after adjustments | Ratio to Band D | Band D equivalents |
|---|---|---|---|---|
| A | 4,721 | 3,205 | 6/9 | 2,137 |
| B | 31,596 | 21,711 | 7/9 | 16,886 |
| C | 40,365 | 32,141 | 8/9 | 28,570 |
| D | 31,298 | 26,043 | 9/9 | 26,043 |
| E | 14,840 | 12,966 | 11/9 | 15,847 |
| F | 9,200 | 8,442 | 13/9 | 12,194 |
| G | 5,231 | 5,059 | 15/9 | 8,431 |
| H | 782 | 755 | 18/9 | 1,510 |
| **TOTALS** | 138,034 | 110,322 | | 111,618 |
| **Adjustment for collection rate** | | | | (3,906) |
| **Tax base for Council Tax purposes** | | | | **107,712** |

**46. National Non-Domestic Rates** are set by Parliament, which specifies an amount, 49.3p in 2018/19 (47.9p in 2017/18) as the standard multiplier and 48.0p as the small business rate multiplier (46.6p in 2017/18). Subject to transitional arrangements, businesses pay rates calculated by multiplying their rateable value by this amount. The 2018/19 NNDR income is based upon a total rateable value for the borough of £421.2m as at 31 March 2019 (£414.0m at 31 March 2018).

In 2018-19 Lambeth participated in the London Business Rates Pilot Pool, which resulted in a change in the distribution of NNDR income. NNDR is now divided into two elements: 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. The amount that the Council collects is divided between Lambeth (64%), GLA (36%). The Revenue Support Grant (RSG) is now zero as this grant has been rolled into Business Rates Retained Amount.

In 2018/19, the payment is based upon the 2018/19 estimated collection and 2017/18 surplus/deficit. However, as the 2018/19 NNDR1 is returned before the end of 2017/18, in 2019/20 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.

**47. Business Rate Supplements (BRS)**

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

The accounting statement shows:

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

## PENSION FUND ACCOUNT, NET ASSETS AND NOTES

| FUND ACCOUNT | | 2018/19<br>£000 | 2017/18<br>£000 |
|---|---|---|---|
| Dealing with members, employers and others directly involved in the fund: | | | |
| Contributions | 7 | (49,687) | (46,681) |
| Transfers in from other pension funds | 8 | (2,880) | (2,264) |
| | | **(52,567)** | **(48,945)** |
| | | | |
| Benefits | 9 | 53,048 | 51,446 |
| Payments to and on account of leavers | 10 | 5,650 | 5,575 |
| | | **58,698** | **57,021** |
| | | | |
| Net (additions)/withdrawals from dealing with members | | 6,131 | 8,076 |
| | | | |
| Management expenses | 11 | 1,753 | 2,285 |
| Net additions/withdrawals including fund management expenses | | 7,884 | 10,361 |
| Returns on investments: | | | |
| Investment Income | 12 | (28,266) | (42,917) |
| Tax on Income | 13 | 5 | 143 |
| Profit and loss on disposal of investments and changes in the market value of investments and currency | 14a | (41,677) | 799 |
| Foreign Exchange gain | | | 978 |
| Net return on investments | | (69,939) | (40,997) |
| Net increase in the net assets available for benefits during the year | | (62,054) | (30,636) |
| Net Assets of the fund at 1 April | | **(1,377,390)** | **(1,346,755)** |
| Net Assets of the fund at 31 March | | **(1,439,444)** | **(1,377,391)** |

| NET ASSET STATEMENT | Notes | 2018/19<br>£000 | 2017/18<br>£000 |
|---|---|---|---|
| Investment Assets | 14 | 1,390,129 | 1,355,799 |
| Cash Deposits | 14 | 0 | 0 |
| **Total Investment Assets** | | **1,390,129** | **1,355,799** |
| | | | |
| Current Assets | 20 | 49,501 | 21,713 |
| Current Liabilities | 21 | (186) | (121) |
| | | | |
| **Net assets of the fund available to fund benefits at the period end.** | | **1,439,444** | **1,377,391** |

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

**Note 1: Description of the Fund**

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

The following description of the fund is a summary only. For more detail, reference should be made to the Lambeth Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and The Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).

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

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

It is a contributory defined benefit pension scheme administered by Lambeth Council to provide pensions and other benefits for pensionable employees of Lambeth Council and a range of other scheduled and admitted bodies within the borough area. The fund is overseen by the Lambeth Pension Fund Committee, which is a committee of Lambeth Council.

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

Organisations participating in the Lambeth Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the fund.

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

There are 22 employer organisations within Lambeth Pension Fund including the Lambeth council itself, as detailed below.

| Lambeth Pension Fund | 31 March 19 | 31 Mar 18 |
|---|---|---|
| Number of employers with active members | 22 | 24 |
| Number of employees in scheme | | |
| Lambeth council | 5,180 | 4,927 |
| Other employers | 492 | 459 |
| **Total** | **5,672** | **5,386** |
| Number of pensioners | | |
| Lambeth council | 6,136 | 7,187 |
| Other employers | 76 | 48 |
| **Total** | **6,212** | **7,235** |
| Deferred pensioners | | |
| Lambeth council | 8,043 | 8,101 |
| Other employers | 244 | 156 |
| **Total** | **8,287** | **8,257** |
| **Total number of members in pension scheme** | **20,171** | **20,878** |

***3) Funding***

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with The LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions that are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 17% to 42% of pensionable pay.

***4) Benefits***

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

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

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

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

**Note 2: Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2018/19 financial year and its position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

**Note 3: Summary of Significant Accounting Policies**

***Fund account – revenue recognition***

**a) Contribution income**

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

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

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

**b) Transfers to and from other schemes**

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

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

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

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

**c) Investment income**

**i) Interest income**

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

**ii) Dividend income**

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

**iii) Distributions from pooled funds**

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

**iv) Movement in the net market value of investments**

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

***Fund account – expense items***

**d) Benefits payable**

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

**e) Taxation**

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

**f) Management expenses**

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

**Administrative expenses**

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

**Oversight and governance costs**

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

**Investment management expenses**

All investment management expenses are accounted for an accruals basis.

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

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2018/19, £0.1m of fees is based on such estimates (2017/18: £0.1m).

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

***Net asset statement***

**g) Financial assets**

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

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

**i) Market-quoted investments**

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

**ii) Fixed interest securities**

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

**iii) Unquoted investments**

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

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

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

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

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

**iv) Pooled investment vehicles**

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

**h) Foreign currency transactions**

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

**j) Cash and cash equivalents**

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

**k) Financial liabilities**

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 amount of the liability are recognised by the fund.

**l) Actuarial present value of promised retirement benefits**

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

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

**m) Additional voluntary contributions**

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

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

AVCs are not included in the accounts in accordance with section 4(1) (b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22)

## Note 4: Critical Judgements in Applying Accounting Policies

**Unquoted private equity investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2019 was £61.0m (31 March 2018: £52.9m).

**Pension fund liability**

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

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

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

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

The items in the net assets statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

| Item | Uncertainties | Effect if actual results differ from assumptions |
|---|---|---|
| **Actuarial present value of promised retirement benefits (Note 19)** | Estimation of the net liability to pay pensions depends on a number of complex judgments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £179m. A 0.5% increase in assumed earnings inflation would increase the value of liabilities by approximately £214m, and a one-year increase in assumed life expectancy would increase the liability by approximately between £64.9m to £108.1m. |
| **Private equity (Note 14)** | Private equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation. The valuation shown as at 31 March 2019 is £61.0m. | The total (called) private equity investment in the financial statements is £61.0m. There is a risk that this investment may be under- or overstated in the accounts.<br>Private Equity is illiquid for holding until its maturity of 12 years. |
| **Hedge fund of funds (Note 14)** | The fund of funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the fund of funds' directors or independent administrators judge necessary. These investments are not publically listed and as such, there is a degree of estimation involved in the valuation. | The total hedge fund of funds value in the financial statements is £3.0m. There is a risk that the investment may be under or overstated in the accounts. The custodian reports a tolerance of +/- 5% in respect of the net asset values on which the hedge funds of funds valuation is based. This equates to a tolerance of +/- £0.15m. |

**Note 6: Events after the Reporting Date**
There have been no events since 31 March 2019, up to the date when these accounts were authorised that require any adjustments to these accounts.

**Note 7: Contributions Receivable**

| Category | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Members | 8,883 | 8,879 |
| Employer: | | |
| Normal contribution | 25,804 | 25,802 |
| Deficit recovery contribution | 15,000 | 12,000 |
| Total employer's contribution | 40,804 | 37,802 |
| **Total** | **49,687** | 46,681 |

| Authority | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Administering authority | 46,769 | 42,804 |
| Scheduled bodies | 2,148 | 3,486 |
| Admitted bodies | 134 | 211 |
| Community admission body | 105 | 71 |
| Transferee admission body | 531 | 109 |
| **Total** | **49,687** | 46,681 |

**Note 8: Transfers in from Other Pension Funds**

| | 2018/19 £'000 | 2017/18 £'000 |
|---|---|---|
| Individual transfer | 2,880 | 2,264 |
| **Total** | **2,880** | **2,264** |

**Note 9: Benefits Payable**

| Category | 2018/19 | 2017/18 |
|---|---|---|
| | £'000 | £'000 |
| Pensions | 45,595 | 44,996 |
| Commutation and lump sum retirement benefits | 6,453 | 5,734 |
| Lump sum death benefits | 1,001 | 716 |
| **Total** | **53,048** | 51,446 |

| Authority | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Administering authority | 52,805 | 51,103 |
| Scheduled bodies | 181 | 153 |
| Admitted bodies | 21 | 56 |
| Community admission body | 41 | 134 |
| **Total** | **53,048** | 51,446 |

### Note 10: Payments to and on Account of Leavers

| | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Refund to members leaving service | 168 | 108 |
| Individual transfers | 5,482 | 5,467 |
| **Total** | **5,650** | 5,575 |

### Note 11: Management Expenses

| | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Administrative costs | 1,225 | 1,201 |
| Investment management expenses | 528 | 1,084 |
| **Total** | **1,753** | 2,285 |

The key management personnel of the pension fund are:

| | |
|---|---|
| **Administrator:** | Christina Thompson |
| | Chief Financial Officer |
| **Council Officers:** | |
| Hamant Bharadia | Acting Director – Finance |
| Andrien Meyers | Head of Treasury and Pensions |
| Saul Omuco | Deputy Head of Treasury and Pensions |
| Saril Prakash | Trainee Accountant |
| Linda D'Souza | Interim Head of HR Operations |
| Linda Osborne | Pensions Manager |

### Note 11a: Investment Management Expenses

| | 2018/19 | 2017/18 |
|---|---|---|
| | £000 | £000 |
| Management fees | 514 | 1,072 |
| Custody fees | 14 | 12 |
| Transaction costs | 0 | 0 |
| **Total** | **528** | 1,084 |

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

The total management expenses incurred for the year was £6.9m (2017/18 £6.1m) of which only £0.49m was actually remitted; the remainder was deducted in the daily pricing of the individual portfolios.

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

### Note 12: Investment Income

| | 2018/19 | 2017/18 |
|---|---:|---:|
| | £000 | £000 |
| Fixed interest securities | 8,254 | 9,809 |
| Equity dividends | 2,442 | 1,236 |
| Private equity income | 7,325 | 10,882 |
| Pooled property investments | 4,361 | 4,157 |
| Pooled investments - unit trust and other managed funds | 5,018 | 15,850 |
| Interest on cash deposits | 5 | 2 |
| Other | 861 | 980 |
| **Total** | **28,266** | **42,917** |

### Note 13a: Taxes on Income

| | 2018/19 | 2017/18 |
|---|---:|---:|
| | £000 | £000 |
| Tax – equities | 5 | 143 |
| Withholding tax – pooled | 0 | 0 |
| **Total** | **5** | **143** |

### Note 13b: External Audit Costs

| | 2018/19 | 2017/18 |
|---|---:|---:|
| | £000 | £000 |
| Payable in respect of external audit | 16 | 21 |
| **Total** | 16 | 21 |

### Note 14: Investments

| | 2018/19 | 2017/18 |
|---|---:|---:|
| | £000 | £000 |
| Fixed interest securities | 294,511 | 361,749 |
| Equities | 0 | 76,525 |
| Pooled investments | 809,251 | 732,983 |
| Pooled property investments | 145,273 | 131,456 |
| Private equity | 61,023 | 52,936 |
| London CIV | 150 | 150 |
| Multi Asset Credit | 79,921 | 0 |
| Investment income due | 0 | 0 |
| **Total** | **1,390,129** | **1,355,799** |

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

| | Market value 1 April 2018 | Purchases during the year | Transfers – IN | Sales during the year | Transfers - OUT | Movement in cash during the year | Change in market value during the year | Market value 31 March 2019 |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed interest securities | 361,714 | 11,255 | 0 | (78,006) | 0 | 0 | (486) | 294,476 |
| Equities | 76,525 | 1,978 | (600) | (77,321) | 0 | 0 | (582) | 0 |
| Pooled investments | 732,983 | 82,803 | 0 | (45,579) | 0 | 0 | 39,045 | 809,251 |
| Pooled property investments | 131,456 | 15,468 | 0 | 0 | 0 | 0 | (1,651) | 145,273 |
| Private equity | 52,936 | 3,860 | 0 | 0 | 0 | 0 | 4,227 | 61,023 |
| Multi Asset Credit | 0 | 78,802 | 0 | 0 | 0 | 0 | 1,119 | 79,921 |
| London CIV | 150 | 0 | 0 | 0 | 0 | 0 | 0 | 150 |
| Cash Deposits | 0 | 20 | 0 | (2,198) | 0 | 2,179 | 0 | 0 |
| Investment Manager Cash balance | 35 | 0 | 0 | 0 | 0 | 11 | (12) | 34 |
| Investment income due | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **1,355,799** | **194,185** | **(600)** | **(203,105)** | **0** | **2,190** | **41,661** | **1,390,129** |

| | Market value 1 April 2017 | Purchases during the year | Transfers – IN | Sales during the year | Transfers - OUT | Movement in cash during the year | Change in market value during the year | Market value 31 March 2018 |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fixed interest securities | 356,866 | 9,806 | 0 | (6) | 0 | 0 | (4,953) | 361,714 |
| Equities | 160,361 | 1,236 | 0 | (166,693) | 0 | 0 | 81,621 | 76,525 |
| Pooled investments | 632,605 | 16,447 | 277,000 | (121,216) | 0 | 0 | (71,853) | 732,983 |
| Pooled property investments | 126,868 | 0 | 0 | (1,259) | 0 | 0 | 5,847 | 131,456 |
| Private equity | 57,595 | 6,795 | 0 | 0 | 0 | 0 | (11,454) | 52,936 |
| London CIV | 150 | 0 | 0 | 0 | 0 | 0 | 0 | 150 |
| Cash Deposits | 5,103 | 2,088 | | (5,003) | 0 | (2,189) | 0 | 0 |
| Investment Manager Cash balance | 6 | 0 | 0 | 0 | 0 | 35 | (6) | 35 |
| Investment income due | 525 | 0 | 0 | 0 | 0 | (525) | 0 | 0 |
| **Total** | **1,340,079** | **36,373** | **277,000** | **(294,176)** | **0** | **(2,679)** | **(799)** | **1,355,799** |

### Note 14b: Analysis of Investments

| | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| | £000 | £000 |
| Bonds | | |
| UK | | |
| Corporate quoted | 294,511 | 361,749 |
| Equities | | |
| UK | | |
| Quoted | 0 | 76,525 |
| Cash investment | 0 | 0 |
| Overseas | | |
| Quoted | 0 | 0 |
| Pooled funds - additional analysis | | |
| Overseas | | |
| Unit trusts | 806,254 | 729,406 |
| Hedge fund of funds | 2,997 | 3,577 |
| Pooled property investments | 145,273 | 131,456 |
| Private equity | 61,023 | 52,936 |
| Multi Asset Credit | 79,921 | |
| London CIV | 150 | 150 |
| Cash deposits | 0 | 0 |
| Investment income due | 0 | 0 |
| **Total investment assets** | **1,390,129** | **1,355,799** |

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

| | Market value 31 March 2019 | | Market value 31 March 2018 | |
|---|---|---|---|---|
| | £000 | % | £000 | % |
| Adam Street | 61,023 | 4.4 | 52,936 | 3.9 |
| Aviva | 78,580 | 5.7 | 80,044 | 5.9 |
| Baillie Gifford | 0 | 0 | 0 | 0 |
| Invesco | 144,992 | 10.4 | 131,172 | 9.7 |
| Insight | 294,511 | 21.2 | 361,749 | 26.7 |
| London CIV | 150 | 0 | 150 | 0 |
| London CIV (BG Global Equity) | 263,348 | 18.9 | 242,139 | 17.9 |
| London CIV (Majedie) | 0 | 0 | 76,525 | 5.6 |
| LONDON CIV-Henderson | 150,041 | 10.8 | 75,664 | 5.6 |
| LONDON CIV-PyrFord | 56,219 | 4 | 54,362 | 4 |
| LONDON CIV-Ruffer | 60,586 | 4.4 | 60,922 | 4.5 |
| LONDON CIV-MAC | 76,119 | 5.5 | 0 | 0 |
| MFS | 197,480 | 14.2 | 216,276 | 16 |
| PAAMCO | 2,997 | 0.2 | 3,577 | 0.3 |
| RREEF | 281 | 0 | 285 | 0 |
| Churchill Asset Management | 3,802 | 0.3 | 0 | 0 |
| State Street | 0 | 0 | 0 | 0 |
| **Total** | **1,390,129** | **100** | **1,355,799** | **100** |

### Note 15: Fair Value – Basis of Valuation

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

| Description of asset | Valuation hierarchy | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|---|---|---|
| **Market quoted investments** | Level 1 | Published bid market price ruling on the final day of the accounting period | Not required | Not required |
| **Quoted bonds** | Level 1 | Fixed interest securities are valued at a market value based on current yields | Not required | Not required |
| **Pooled investments – overseas unit trusts and property funds** | Level 2 | Closing bid price where bid and offer prices are published<br>Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Not required |
| **Pooled investments – hedge funds** | Level 3 | Closing bid price where bid and offer prices are published<br>Closing single price where single price published | NAV-based pricing set on a forward pricing basis | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to the expected cash flows, by any difference between audited and unaudited accounts. |
| **Unquoted equity** | Level 3 | Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines* (2012) | EBITDA multiple<br>Revenue multiple<br>Discount for lack of marketability<br>Control premium | Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cash flows, and by any differences between audit and unaudited accounts |

**Sensitivity of assets valued at level 3**

Having analysed historical data and current market trends, and consulted with independent investment advisors, the fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

| | Valuation range (+/-) | Value at 31 Mar-19 | Value on increase £000 | Value on decrease £000 |
|---|---|---|---|---|
| Pooled investments – hedge funds | 6.8% | 2,997 | 3,201 | 2,793 |
| Private equity | 23.3% | 61,023 | 75,242 | 46,805 |
| **Total** | | **64,021** | **78,443** | **49,598** |

**NOTE 15a: Fair Value Hierarchy**

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

**Level 1**

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

**Level 2**

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

**Level 3**

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

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

| Values at 31 March 2019 | Quoted Market price | Using observable inputs | With significant unobservable inputs | Total |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | |
| | £000 | £000 | £000 | £000 |
| Financial Assets at fair value through profit and loss | 1,230,355 | 145,273 | 64,021 | 1,439,649 |
| Financial Liabilities at Fair value through profit and loss | (186) | 0 | 0 | (186) |
| **Net investment assets** | **1,230,169** | **145,273** | **64,021** | **1,439,463** |

| Values at 31 March 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Financial Assets at fair value through profit and loss | 1,189,543 | 131,456 | 56,513 | 1,377,512 |
| Financial Liabilities at Fair value through profit and loss | (121) | 0 | 0 | (121) |
| **Net investment assets** | **1,189,422** | **131,456** | **56,513** | **1,377,391** |

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

| Period 2018/19 | Market value 01 Apr 2018 | Transfer into level 3 | Transfer out of level 3 | Purchases | Sales | Unrealised gain (loss) | Realised gain (loss) | Market Value 31 March 2019 |
|---|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Hedge fund of Funds | 70,118 | 0 | 0 | 0 | (67,120) | 0 | 0 | 2,997 |
| Private equity | 52,936 | 0 | 0 | 3,860 | 0 | 4,227 | 0 | 61,023 |
| | **123,054** | **0** | **0** | **3,860** | **(67,120)** | **4,227** | **0** | **64,021** |

## Note 16: Financial Instruments

### Note 16a: Classification of Financial Instruments

| | 2018/19 | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| | 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 |
| Fixed interest securities | 294,511 | 0 | 0 | 361,749 | 0 | 0 |
| Equities | 0 | 0 | 0 | 76,525 | 0 | 0 |
| Pooled investments | 809,251 | 0 | 0 | 732,983 | 0 | 0 |
| Pooled property investments | 145,273 | 0 | 0 | 131,456 | 0 | 0 |
| Private equity | 61,023 | 0 | 0 | 52,936 | 0 | 0 |
| Multi Asset Credit | 79,921 | 0 | 0 | 0 | 0 | 0 |
| London CIV | 150 | 0 | 0 | 150 | 0 | 0 |
| Cash instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment income due | 0 | 0 | 0 | 0 | 0 | 0 |
| Debtors | 0 | 3,858 | 0 | 0 | 363 | 0 |
| Cash and Cash Equivalents | 0 | 45,641 | 0 | 0 | 21,349 | 0 |
| Financial Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
| Creditors | 0 | 0 | (186) | 0 | 0 | (121) |
| **Total** | **1,390,129** | **49,499** | **(186)** | **1,355,799** | **21,712** | **(121)** |

### Note 16b: Financial Instrument on Assets and Liabilities

| | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| | £000 | £'000 |
| Financial Assets | | |
| Fair Value through profit and loss | 1,390,150 | 1,357,988 |
| Loans and receivables | 49,499 | 19,524 |
| Financial Liabilities | | |
| Fair Value through profit and loss | | |
| Loans and receivables | (186) | (121) |
| **Total** | **1,439,463** | **1,377,391** |

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

### *Risk and Risk Management*

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

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

### a) Market risk

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

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

The fund manages these risks in two ways:

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

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

### Other price risk – 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 2019/20 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

| Asset type | Potential market movement |
|---|---|
| | % |
| **Corporate Bonds** | 6.4% |
| **Bonds- LDI** | 18.9% |
| **Emerging Markets** | 26.2% |
| **UK equities** | |
| **Global Equities** | 19.2% |
| **Pooled property investments** | 13.9% |
| **Other pooled investments** | 9.7% |
| **Private Equity** | 23.3% |
| **Multi Asset Credit** | 8.2% |
| **Hedge Funds** | 6.8% |
| **Cash – GBP** | 0% |

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

| Asset type | Value as at 31 Mar 19 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| UK Equities | 0 | 0 | 0 | 0 |
| Global Equities | 460,828 | 88,479 | 549,307 | 372,349 |
| Emerging Markets | 150,041 | 39,311 | 189,352 | 110,730 |
| Diversified Growth | 195,385 | 18,952 | 214,337 | 176,432 |
| Hedge Funds | 2,997 | 204 | 3,201 | 2,793 |
| Private Equity | 61,023 | 14,218 | 75,242 | 46,805 |
| Multi Asset Credit | 79,921 | 6,554 | 86,474 | 73,367 |
| Corporate Bonds | 240,501 | 15,392 | 255,894 | 225,109 |
| Bonds- LDI | 54,009 | 10,208 | 64,217 | 43,801 |
| Property | 145,273 | 20,193 | 165,466 | 125,080 |
| London CIV | 150 | | 150 | 150 |
| Investment income due | | | | |
| **Total** | **1,390,129** | **213,511** | **1,603,640** | **1,176,619** |

| Asset type | Value as at 31 Mar 18 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| UK Equities | 76,525 | 12,183 | 88,708 | 64,342 |
| Global Equities | 458,414 | 82,193 | 540,607 | 376,221 |
| Emerging Markets | 75,664 | 20,066 | 95,730 | 55,598 |
| Diversified Growth | 195,328 | 19,884 | 215,212 | 175,444 |
| Hedge Funds | 3,577 | 233 | 3,810 | 3,343 |
| Private Equity | 52,936 | 13,128 | 66,064 | 39,808 |
| Corporate Bonds | 309,299 | 22,146 | 331,445 | 287,153 |
| Bonds- LDI | 52,450 | 10,060 | 62,509 | 42,390 |
| Property | 131,456 | 18,509 | 149,965 | 112,947 |
| London CIV | 150 | | 150 | 150 |
| Investment income due | | | | |
| **Total** | **1,355,799** | **198,402** | **1,554,200** | **1,157,396** |

**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 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

**Interest rate risk sensitivity analysis**

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

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

| Asset exposed to interest rate risk | Value as at 31 Mar 19 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 45,662 | 0 | 45,662 | 45,662 |
| Fixed interest securities | 294,511 | 2,945 | 297,456 | 291,566 |
| Total | 340,173 | 2,945 | 343,118 | 337,227 |

| Asset exposed to interest rate risk | Value as at 31 Mar 18 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 21,349 | 0 | 21,349 | 21,349 |
| Fixed interest securities | 361,749 | 3,617 | 365,366 | 358,131 |
| Total | 383,097 | 3,617 | 386,714 | 379,479 |

| Income exposed to interest rate risk | Amount Receivable as at 31 Mar 19 | Potential market movement on 1% in interest rates | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 5 | 0 | 5 | 5 |
| Fixed interest securities | 8,254 | 83 | 8,337 | 8,172 |
| Total | 8,259 | 83 | 8,342 | 8,177 |

| Income exposed to interest rate risk | Amount Receivable as at 31 Mar 18 | Potential market movement on 1% in interest rates | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Cash and cash equivalents | 2 | 0 | 2 | 2 |
| Fixed interest securities | 9,809 | 98 | 9,907 | 9,711 |
| Total | 9,811 | 98 | 9,910 | 9,713 |

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

Currency risk

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

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

Currency risk – sensitivity analysis

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

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

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

| Assets exposed to currency risk | Value as at 31 Mar 19 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Overseas unquoted securities** | 61,023 | 6,102 | 67,126 | 54,921 |
| **Overseas unit trusts** | 129,525 | 12,953 | 142,477 | 116,572 |
| **Total** | **190,548** | **19,055** | **209,603** | **171,493** |

| Assets exposed to currency risk | Value as at 31 Mar 18 | Potential market movement | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Overseas unquoted securities** | 52,936 | 5,294 | 58,230 | 47,643 |
| **Overseas unit trusts** | 131,168 | 13,117 | 144,285 | 118,051 |
| **Total** | **184,104** | **18,410** | **202,515** | **165,694** |

**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 2019 was £45.6m (31 March 2018: £21.3m). This was held with the following institutions.

| | Rating | 31 March 19 | 31 March 18 |
|---|---|---|---|
| | | £000 | £000 |
| **Money Market Funds** | | | |
| **State Street- Liquidity Fund** | AAA | 21 | 2,189 |
| **Majedie Asset Management** | | 2 | 6,591 |
| **Bank deposits and current account** | | | |
| **Royal Bank of Scotland** | A+ | 45,641 | 12,560 |
| **Total** | | **45,664** | **21,340** |

**Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore takes steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs; and cash to meet investment commitments. The council has immediate access to its pension fund cash holding.

The fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets that will take longer than three months to convert in to cash. As at 31 March 2019 the value of liquid assets was £1,224.0m, which represented 95.7% of the total fund assets (31 March 2018: £1,189.4m, which represented 95.4% of the total fund assets).

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

All financial liabilities at 31 March 2019 are due within one year.

**Refinancing risk**

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

**Note 18: Funding Arrangements**

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

The key elements of the funding policy are:

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

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

At the 2016 actuarial valuation, the fund was assessed as 80% funded (72.6% at the March 2013 valuation). This corresponded to a deficit of £287m (2013 valuation: £359m) at that time.

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

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

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

***Demographic assumptions***

The post-retirement mortality tables are the S1PA tables with a multiplier of 110% for males and 100% for females. These base tables are then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.25% pa. Assumed life expectancy from age 65 is as follows.

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| **Retiring today** | | |
| **Males** | 21.6 | 21.6 |
| **Females** | 23.9 | 23.9 |
| **Retiring in 20 years** | | |
| **Males** | 23.8 | 23.8 |
| **Females** | 26.0 | 26.0 |

***Commutation assumption***

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

**Note 19: Actuarial Present Value of Promised Retirement Benefits**

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

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

Calculated on an IAS 19 basis, the actuarial present value of promised retirement benefits at 31 March 2019 was £2,162m (31 March 2018: £1,955m). The net assets available to pay benefits as at 31 March 2019 was £1,433m (31 March 2018: £1,348m). The implied fund deficit as at 31 March 2019 was therefore £729m (31 March 2018 £607m).

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

| Assumptions used | 2018/19 | 2017/18 |
|---|---|---|
| | % | % |
| Inflation/pension increase rate | 2.5 | 2.4 |
| Salary increase rate | 2.9 | 2.8 |
| Discount rate | 2.4 | 2.7 |

**Note 20: Current Assets**

| | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| | £000 | £000 |
| Sundry debtors | 3,858 | 363 |
| Cash balances | 45,641 | 21,349 |
| Total | 49,499 | 21,713 |

**Note 21: Current Liabilities**

| | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| | £000 | £000 |
| Outstanding settlement | 0 | 0 |
| Sundry creditors | 186 | 121 |
| Total | 186 | 121 |

**Note 22: Additional Voluntary Contributions**

| | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| | £000 | £000 |
| Prudential | 2,315 | 1,970 |
| Equitable Life | 419 | 493 |
| Clerical Medical | 160 | 160 |
| Total | 2,894 | 2,624 |

**Note 23: Related Party Transactions**

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

During the reporting period, the Council incurred costs of £1.06m (2017/18: £0.87m) 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 £38.0m to the fund in 2018/19 (2017/18: £34.0m). The amount payable to the council as at 31 March 2018 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 one pensioner representative is 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. Also one pension board staff representative G Williamson is an active member of the pension fund.

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

**Note 24: Contingent Liabilities and Contractual Commitments**

The total commitments as at 31 March 2019 are £171.6m and the outstanding capital commitments (investments) are £65.1m (31 March 2018: total commitment £93.9m and outstanding was £18.1m).

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

**Note 25: Contingent Assets**

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

## A GLOSSARY OF LOCAL AUTHORITY FINANCIAL TERMS AND ABBREVIATIONS

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

**Accruals**
The accruals concept means that transactions within the Comprehensive Income & Expenditure Statement are recognised as They are earned or incurred and not as money is received or paid. For example, if an invoice relating to March 2018 is expected to arrive in April 2019, it will be accounted for in the 2017/18 accounts (the financial year it relates to), not the 2018/19 accounts (the financial year it arrives in.)

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

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

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

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

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

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

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

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

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

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

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

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

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

**Matching**
The matching concept says that expenditure and income transactions, including accruals, are matched with one another so far

as their relationship can be established, or justifiably assumed, and dealt with in the period to which they relate.

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

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

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

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

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

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

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

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

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

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