Islington Council – Statement of Accounts 2013/14

Contents

Introduction by the Corporate Director of Finance

I have great pleasure in presenting the Statement of Accounts for the year ended 31st March 2014. These accounts give a high level overview of the Council's finances.

Basis of these accounts

In compiling these Accounts the Council is required to follow a common format called the Code of Practice on Local Authority Accounting, otherwise known as the 'Code'. This enables readers across all local authorities to follow local differences in spending on a comparable basis. The 'Code' is based on International Financial Reporting Standards (IFRS).

Overview of the Council's finances

The Council's expenditure last year was just over £1bn. This is made up of the gross cost of the day to day services we provide, plus the investments made in your assets and in new facilities for the borough. In the Comprehensive Income and Expenditure Statement, on the line called 'Net Cost of Services', you will see that the gross cost of these services was £912m, and in the Note on Capital Expenditure and Financing, you will see that we spent £83m on your assets/facilities.

To pay for all this the Council received money from a variety of sources; the largest contribution came in the form of Central Government Grants, whilst locally for residents their contribution is in the form of Council Tax. In 2013/14 this contribution amounted to £68m. This income resulted in a contribution from reserves, of just over £4.3m (£0.5m of which was a contribution from schools) for the year. We financed our investments through borrowing of £8m, grants and other external contributions of £13m, contributions from the HRA of £33m, whilst £19m came from revenue sources and £10m from the sale of Council assets.

The 2013/14 figures include services that have transferred in as part of the transfer of the Public Health function to the Council.

Feedback and Public Inspection of the Accounts

We would welcome any feedback or comments you may have on the accounts or the presentation of them. As advertised, the annual public inspection of accounts this year runs from 21st August to 18th September.

Mike Curtis
Corporate Director of Finance
30th June 2014

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

Audit opinion to be inserted

Audit opinion to be inserted

Audit opinion to be inserted

Audit opinion to be inserted

Explanatory Foreword to the Statement of Accounts and Summary of the Council's Financial Performance in the Financial Year 2013/14

This foreword provides an explanation, in overall terms, of the Council's financial position and will assist in the interpretation of the accounting statements. It is not the purpose of this foreword to comment on the policies of the Council, rather to explain the financial facts. The Statement of Accounts has been prepared on the basis that the Council is a going concern.

Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

- a Statement of Responsibilities for the Statement of Accounts
- Accounting Statements
- Notes to the Accounts (including pension disclosures and Statement of Accounting Polices which sets out policies adopted for the preparation of the accounts).

The accounting statements contain the 'core' financial statements grouped together and the supplementary single entity financial statements relevant to this Council.

The Core Financial Statements comprise:

- Movement in Reserves Statement – shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce taxation) and other reserves.
- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the Council in the year
- Balance Sheet - highlights the Council's financial position as at 31st March 2014, in particular what we own versus what we owe
- Cash Flow Statement - illustrates the Council's total cash transactions in the financial year, split between revenue expenditure (day to day expenditure), capital expenditure (long term investment in assets) and financing transactions (how we pay for the expenditure).

The *Supplementary Financial Statements* applicable to Islington Council comprise:

- Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance – shows transactions relating to council dwellings
- Collection Fund – receipts and payments relating to council tax and business rates.

The Pension Funds Account and amounts attributable to Trust Funds are shown separately because they are not part of the entity accounts of the Council. For the Pension Fund administered by Islington Council, these include:

- Fund Account - a summary of the resources generated and consumed by the fund in the year; and
- Net Assets Statement - shows the fund's financial position as at 31st March 2014.

In common with most other local authorities the Pension Fund has a deficit. The authority asks an independent actuary to review the fund's position triennially and advise as to how the contributions to the Pension Fund must be adjusted to address the deficit. Such a review took place in 2013/14. More detailed information can be found in the Pension Fund Accounts.

Changes in terminology, presentation and accounting policies

This Statement of Accounts 2013/14 is the third Statement after the full transition to International Financial Reporting Standards in 2010/11. As a result there have been little changes that have affected the Statement of Accounts.

Budget 2013/14

On 28th February 2013, the Council agreed its budget for 2013/14 and set a budget requirement of £255.5m. This resulted in the basic amount of band D Council Tax of £961.87 (representing a council tax freeze) and a total amount of band D Council Tax (including GLA precept) of £1,264.87.

General Fund Outturn 2013/14

Overall, there was a gross General Fund underspend (including schools) of £10.9m. This was made up of an in-year underspend of £8.0m, plus a budgeted use of general fund balances of £2.9m. After proposed transfers to the capital programme and corporate reserves, there were net unbudgeted drawdowns from General Fund balances (excluding schools) of £0.9m and £0.5m from schools balances. The capital programme delivered 90.3% of the annual programme.

The table below shows the revenue outturn position by department.

Departmental income and expenditure (excluding HRA)	Gross Expenditure £'000	Gross Income £'000	Net Outturn £'000	Net Budget £'000	Over / (Under-spend) £'000
Frontline Services					
Children's Services (including schools)	469,937	(369,248)	100,689	100,930	(241)
Environment and Regeneration	120,754	(69,913)	50,841	50,289	552
Housing & Adult Social Services	157,854	(65,892)	91,962	95,271	(3,309)
Public Health	27,486	(26,410)	1,076	144	932
Central Services					
Chief Executive	29,945	(21,218)	8,727	9,491	(764)
Finance & Resources	275,828	(282,807)	(6,979)	(6,782)	(197)
Corporate Items					
Corporate Items	37,885	(292,109)	(254,224)	(249,343)	(4,881)
Gross General Fund Variance	**1,119,689**	**(1,127,597)**	**(7,908)**	**0**	**(7,908)**
Approved outturn transfers to earmarked reserves	12,183		12,183		12,183
Net General Fund Variance	**1,131,872**	**(1,127,597)**	**4,275**	**0**	**4,275**
Budgeted drawdown from General Fund Balances					2,882
Unbudgeted drawdown from General Fund Balances (excluding schools)					939
Unbudgeted drawdown from Schools Balances					454
Total					**4,275**

Departmental income and expenditure (including HRA)	Over / (Under-spend) £'000
General Fund over/(under) spend for the year (including schools)	4,275
Housing Revenue Account over/(under) spend for the year	(1,291)
***Net expenditure**	**2,984**

*Net expenditure is as reported in note 45 Amounts Reported for Resource Allocation

Explanation of Variances to Budget 2013/14

Finance and Resources Department (-£0.2m)

The variance was due to an underspend on staffing and external fees, partly offset by an overspend of (+£0.3m) due to reduced demand for the enhanced telecare package in Contact Islington.

Chief Executive's Department (-£0.8m)

The variance for the Chief Executive's Department was mainly as a result of early delivery of 2014/15 savings (-£0.2m), delayed recruitment and project delays within Community Safety (-£0.4m). and overachievement of income targets within Legal (-£0.2m) and Registrars (-£0.2m).

Children's Services (General Fund -£0.8m, Schools +£0.5m)

The variance for Children's Services was a General Fund underspend of (-£0.8m) consisting of the outcome of a review of all non-pay budgets, an underspend against staffing budgets and (-£0.3m) following a review of placements commissioning, transformation of Children Looked After teams and a reduction in costs against the asylum grant.

In addition there was an underspend within Early Years as a result of an underspend in Children's Centres in relation to increased income, participation funding adjustments following the January census, staffing vacancies, reduced spend against the repairs and maintenance budget, meeting the costs of 2-year old Children in Need placements from the Dedicated Schools Grant and a reduced number of Children in Need placements with childminders and in the voluntary sector.

These underspends were partly offset by pressures against Special Educational Needs transport due to underlying demographic pressures and reduced income following the completion of a number of Building Schools for the Future schools, an overspend against the universal free schools meals budget as a result of increased take-up of school meals, an additional four school days falling in the 2013/14 financial year and the extension of the scheme to all academies in the borough. An overspend on legal costs in Targeted and Specialist Children and Families due to a national increase in the cost of court fees, and an increase in the legal costs associated with undertaking care proceedings as result of the new public law outline procedure.

In addition to Schools £0.5m was also required to cover part of the 2012-13 Local Authority Central Spend Equivalent Grant (LACSEG) refund that is being invested in the capital programme for the provision of new pupil places in the light of the priority to secure additional educational provision. Rather than draw on this funding corporately, this expenditure is met from the net in-year departmental underspend.

Environment and Regeneration (+£0.5m)

The Environment and Regeneration Department overspend was made up of declining Planning Development and Building Control Fees due to the economic climate (+£0.6m) partially offset by a saving from the implementation of a new service structure within Building Control. There were also savings on fleet lease payments as a result of a policy change to purchasing vehicles.

Housing and Adult Social Services (-£3.3m)

Adult Social Care (-£4.4m)

Adult Social Services underspent by £4.4m. This is after allocation of £1.5m corporate demographic contingency for the full-year effect of 2012-13 new placements and £0.8m corporate demographic contingency for the part-year effect of the 2013/14 new placements. The main reason for the outturn variance was 2014/15 budget savings achieved early (-£2.9m). These came from increased integration with Health (-£1.7m), staffing vacancy factor (-£0.5m), Supporting People contract efficiencies (-£0.5m), non-pay efficiencies (-£0.1m) and partnership working with Housing (-£0.1m).

There was also a one-off saving arising from joint work between Adult Social Services and Public Health on Substance Misuse contracts (-£0.4m).

Housing General Fund (+£1.1m)

The Housing General Fund overspend resulted from increased expenditure on the direct cost of temporary accommodation (+£1.8m), partly offset by the early implementation of the HRA compensation for commercial properties income (-£0.5m), underspends on the bad debt provision (-£0.1m) and an additional grant received in respect of the Rent Deposit Scheme (-£0.1m).

Public Health (+£0.9m)

Public Health was funded via a ring-fenced grant of £24.7m for 2013/14. The service is provided by a single Public Health team, under a single Director of Public Health, created from the merger of two teams from Camden and Islington Primary Care Trusts (PCT).

For 2013/14, the public health grant is committed against existing public health services and programmes, continuing from the previous year and transferred to the Council via a transfer scheme, and public health services and programmes included in larger NHS contracts ("block contracts"). The overspend (+£0.9m) was directly attributable to outstanding balances transferred to the Council from the PCT legacy team. At the end of 2012-13 the PCTs ceased to exist and had their accounts closed by a legacy team. As part of this process outstanding balances were transferred to various public bodies in line with Department of Health guidance and the PCT Transfer Order scheme.

Corporate Items (-£4.9m)

Corporate Items (-£6.7m)

The Council's Treasury Management Strategy of shorter-term borrowing at low interest rates saved the Council (-£3.0m) in interest charges over the financial year. In addition, one-off grant income (-£2.5m) was returned from the Government, in the main relating to amounts that were previously 'top-sliced' from our core funding. Further, there were savings delivered ahead of time (-£1.0m); the delayed impact of budgeted cost pressures (-£1.0m); and a reduction in the sundry bad debt provision due to increased collection of sundry debts (-£0.2m).

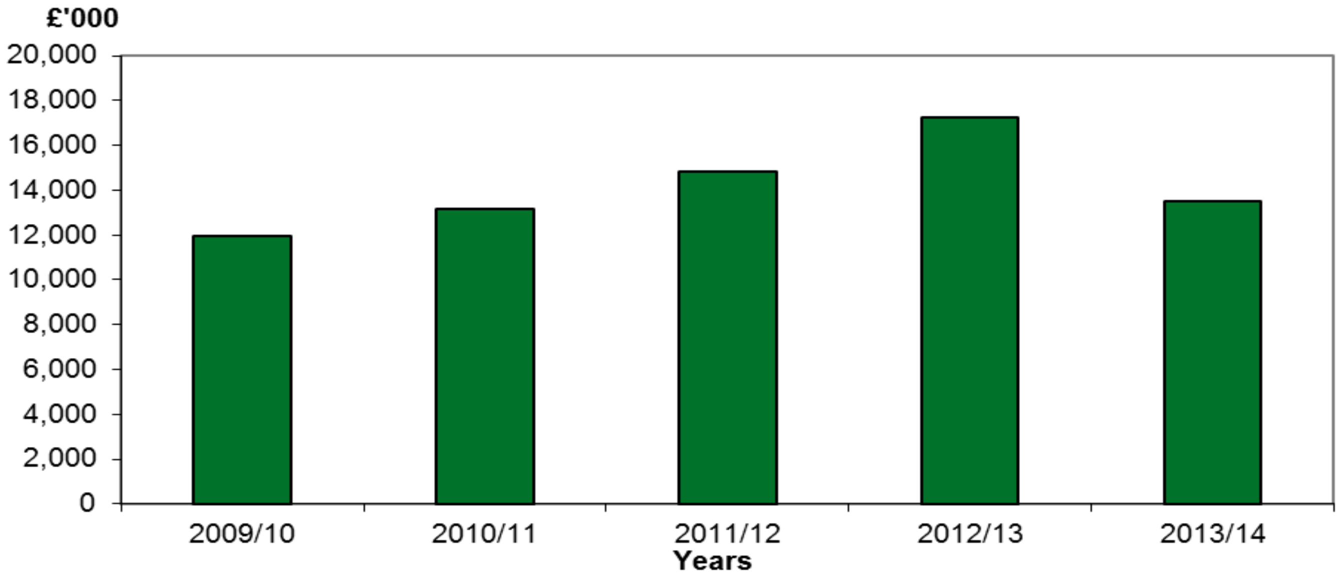
Offsetting this was uncontrollable expenditure (+£1.0m) due to the Council's statutory duty to provide assistance to all destitute clients who are Non-European Union nationals and can demonstrate need under Section 21 of the National Assistance Act 1948 (commonly referred to as No Recourse to Public Funds).

Contingencies (-£1.0m)

At the year end (-£0.925m) remained unallocated within general contingency and (-£0.049m) unallocated within the demographic contingency budget.

General Fund Balances

To maintain its financial strength, the Council aims to maintain the General Fund balance (excluding schools) at a level where it is the equivalent of 5% of the Council's net budget requirement over the medium term. At 31st March 2014 the General Fund balance (excluding schools) totalled £13.4m (£17.2m at 31st March 2013) and the schools balance totalled £10.9m (£11.3m at 31st March 2013)



Housing Revenue Account 2013/14

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The 2013/14 outturn was a surplus of £1.3m. At 31st March 2014 the HRA balance (excluding schools) totalled £14.1m (£12.5m at 31st March 2013).

The main variances were increased income from rents and service alongside expenditure efficiencies. These were partly offset by an inflationary increase in the cost of Private Finance Initiative (PFI) payments (+£0.2m) and one-off budget pressures (+£0.3m) linked in the main to welfare reforms and improvements to open spaces on estates.

Capital Expenditure and Funding 2013/14

The Council delivered £83.4m of capital expenditure in 2013/14, representing 90.4% of the annual programme. The table below sets out this expenditure by department.

	Annual Programme	Capital Expenditure	Slippage to 2014/15
	£m	£m	£m
Adult Social Services	3.2	2.7	(0.5)
Housing	51.6	48.6	(3.0)
Children's Services	16.4	14.3	(2.1)
Environment & Regeneration	17.0	15.9	(1.1)
Finance and Resources	2.0	0.3	(1.7)
Corporate Projects	2.1	1.6	(0.5)
Total Capital Programme	**92.3**	**83.4**	**(8.9)**

The funding of the 2013/14 capital programme is shown in the table below.

Funding Sources	2013/14 £m
Capital Receipts	10.2
Borrowing	8.3
Government Grants and Other External Contributions	12.6
Major Repairs Reserve	32.9
Capital Reserve and Revenue Contributions	19.4
Total Funding	**83.4**

Borrowing and Investments 2013/14

The Council's average rate of interest on its debt fell from 5.82% in 2012-13 to 5.30% in 2013/14. As at 31st March 2014, the Council had £10m of temporary borrowing and total long term debt of £288m (of which £261m is Public Works Loan Board loans and £26.5m loans from other local authorities) and held £22m of investments.

Significant changes since last year's accounts

On 1 April 2013 Public Health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. The Council in the Statement of Accounts has shown Public Health as an acquired operation, with Gross Expenditure and Income of £27m and £26m respectively.

Material Assets and Liabilities incurred in year

None in 2013/14.

Material or Unusual charge or credit to the accounts

None in the current year.

Significant provisions and contingencies and material write offs

The most significant provision currently maintained by the Council is the Insurance Provision (£11.4m at 31st March 2014) The Council self-funds many of its insurable risks. Since 1992/93 the Council has had self-insurance and a large part of the provision relates to claims that have been submitted against the Council since then and are open i.e. not yet paid and fall within the excess limits of current policies. Any claims prior to 1992/93 are handled by its then insurer, MMI. There is a possibility MMI may cease trading and the Council has set aside a sum in the above provision for this possibility.

Material Events after the reporting date

There are no material events after the reporting date not disclosed elsewhere.

Significance of the Pensions Liability

The estimated pensions liability facing the Council is £460.7m at the end of the financial year (£551.5m 2012/13). This liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £460.7m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2015 is £29.9m.

Revenue and Capital Expenditure 2014/15 onwards

On 27th February 2014, the Council agreed its budget for 2014/15 and set a budget requirement of £234.1m. This resulted in a basic amount of band D Council Tax of £961.87 (representing a council tax freeze) and a total amount of band D Council Tax (including GLA precept) of £1,260.87.

Planned Revenue Expenditure	2014/15 £m
Net General Fund	
Finance	7.7
Chief Executive	7.3
Environment and Regeneration	36.2
Children's Services	77
Housing & Adult Social Services	83.7
Central Items	16.6
Other Operating Costs	5.6
Total Net General Fund	**234.1**
Gross Housing Revenue Account Expenditure	199.5

The Council also agreed a capital programme of £293m over the three years from 2014/15 to 2016/17 as shown by department below. This includes the continuation of existing programmes of investment in new homes (£95m), housing major works and improvements (£120m), school buildings (£16m) and Phase 2 of the Bunhill heat and power network (£3.8m).

Capital Programme 2014/15 to 2016/17	2014/15 £'000k	2015/16 £'000k	2016/17 £'000k	Total £'000k
Housing & Adult Social Services	66,564	74,732	83,623	224,919
Children's Services	6,777	6,300	4,000	17,077
Environment and Regeneration	27,276	9,701	9,351	46,328
Finance & Resources	1,500	1,500	1,500	4,500
Total Capital Programme	**102,117**	**92,233**	**98,474**	**292,824**

Statement of Responsibilities for the Statement of Accounts

The Statement of Responsibilities for the Statement of Accounts is prepared in accordance with the requirements of the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code)*. The Council's designated Chief Finance Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the Council's financial affairs.

A) The Council's Responsibilities
The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Islington Council, that Officer is the Corporate Director of Finance
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts once the Audit has been completed.

B) The Corporate Director of Finance's Responsibilities
The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts 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 Corporate Director of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Corporate Director of Finance has also:

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

C) Certificate
I certify that this Statement of Accounts present a True and Fair view of the financial position of Islington Council as at 31st March 2014 and income and expenditure for the year ending on that date.

Mike Curtis, Corporate Director of Finance
30th June 2014

Approval of the accounts

The Accounts will be approved by resolution of the Audit Committee of the London Borough of Islington in accordance with the Accounts and Audit Regulations 2011, at the conclusion of the Audit, expected September 2014.

Movement in Reserves Statement

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

Movement in Reserves 2013/2014	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserve	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2013	**28,558**	**60,062**	**12,790**	**8,577**	**12,549**	**38,579**	**6,267**	**167,382**	**1,422,545**	**1,589,927**
Movement in reserves during 2013/14										
Surplus or (deficit) on the provision of services	(29,465)	-	422,198	-	-	-	-	392,733	-	392,733
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	0	249,917	249,917
Total Comprehensive Income and Expenditure	**(29,465)**	**0**	**422,198**	**0**	**0**	**0**	**0**	**392,733**	**249,917**	**642,650**
Adjustments between accounting basis & funding basis under regulations (Note 17)	29,453	-	(420,701)	-	20,227	15,377	885	(354,759)	354,759	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(12)**	**0**	**1,497**	**0**	**20,227**	**15,377**	**885**	**37,974**	**604,676**	**642,650**
Transfers to/(from) Earmarked Reserves (Note 38)	(4,260)	4,260	(210)	210	-		-	0	-	0
Increase/ (Decrease) in 2013/14	**(4,272)**	**4,260**	**1,287**	**210**	**20,227**	**15,377**	**885**	**37,974**	**604,676**	**642,650**
Balance at 31 March 2014 carried forward	**24,286**	**64,322**	**14,077**	**8,787**	**32,776**	**53,956**	**7,152**	**205,356**	**2,027,221**	**2,232,577**

Movement in Reserves 2012/2013	General Fund £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserve £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2012	**22,962**	**70,855**	**11,703**	**5,388**	**445**	**27,126**	**1,824**	**140,303**	**1,471,697**	**1,612,000**
Movement in reserves during 2012/13										
Surplus or (deficit) on the provision of services	(68,459)	-	164,747	-	-	-	-	96,288	-	96,288
Other Comprehensive Income and Expenditure	-	-	246	-	-	-	-	246	(118,607)	(118,361)
Total Comprehensive Income and Expenditure	**(68,459)**	**0**	**164,993**	**0**	**0**	**0**	**0**	**96,534**	**(118,607)**	**(22,073)**
Adjustments between accounting basis & funding basis under regulations (Note 17)	63,262	-	(160,717)	-	12,104	11,453	4,443	(69,455)	69,455	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**(5,197)**	**0**	**4,276**	**0**	**12,104**	**11,453**	**4,443**	**27,079**	**(49,152)**	**(22,073)**
Transfers to/(from) Earmarked Reserves (Note 38)	10,793	(10,793)	(3,189)	3,189	-	-	-	0	-	0
Increase/ (Decrease) in 2012/13	**5,596**	**(10,793)**	**1,087**	**3,189**	**12,104**	**11,453**	**4,443**	**27,079**	**(49,152)**	**(22,073)**
Balance at 31 March 2013 carried forward	**28,558**	**60,062**	**12,790**	**8,577**	**12,549**	**38,579**	**6,267**	**167,382**	**1,422,545**	**1,589,927**

Comprehensive Income and Expenditure Statement

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

2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
			Acquired Operations			
-	-	-	Public Health	27,510	(26,497)	1,013
			Continuing Operations			
35,068	(32,416)	2,652	Central Services to the Public	7,031	(3,626)	3,405
22,553	(818)	21,735	Cultural and Related Services	20,502	(958)	19,544
17,682	(4,167)	13,515	Planning Services	15,188	(4,267)	10,921
40,134	(8,618)	31,516	Environmental & Regulatory Services	38,892	(7,610)	31,282
46,240	(34,351)	11,889	Highways, Roads and Transport Services	43,950	(31,043)	12,907
243,918	(217,937)	25,981	Housing Services	251,238	(225,645)	25,593
120,279	(303,618)	(183,339)	Housing Revenue Account (HRA)	129,692	(561,366)	(431,674)
89,905	(20,031)	69,874	Adult Social Care	88,344	(17,982)	70,362
297,117	(190,012)	107,105	Children & Education	286,364	(194,914)	91,450
6,111	-	6,111	Corporate and Democratic Core	4,928	-	4,928
2,568	-	2,568	Non Distributed Costs	(1,297)	-	(1,297)
921,575	**(811,968)**	**109,607**	**Net Cost of Services**	**884,832**	**(1,047,411)**	**(162,579)**
921,575	**(811,968)**	**109,607**	**Net Cost of Services (incl Acquired Operations)**	**912,342**	**(1,073,908)**	**(161,566)**
42,939	(11,692)	31,247	Other Operating expenditure	24,965	(33,617)	(8,652)
67,232	(10,101)	57,131	Financing and investment income and expenditure	69,624	(9,785)	59,839
-	(294,273)	(294,273)	Taxation and non-specific grant income	-	(282,354)	(282,354)
		(96,288)	**(Surplus) or Deficit on Provision of Services**			**(392,733)**
		4,541	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(138,006)
		-	(Surplus) or deficit on revaluation of available for sale financial assets			-
		84,106	Actuarial (gains) or losses on pension assets / liabilities			(121,553)
		29,714	Balances transferred from Homes for Islington & Cambridge Education			9,642
		118,361	**Other Comprehensive Income and Expenditure**			**(249,917)**
		22,073	**Total Comprehensive income and Expenditure**			**(642,650)**

2012/13 £'000	Reconciliation of the General Fund Balance and Comprehensive Income and Expenditure	2013/14 £'000
(96,288)	**Surplus or Deficit on Provision of Services (as reported above)**	**(392,733)**
97,455	*Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 17)*	391,247
4,030	*less HRA Balance*	1,501
(10,793)	*Transfer to/from Earmarked Reserves*	4,260
(5,596)	**Movement on General Fund balance**	**4,275**
(22,962)	General Fund balance brought forward (as per MiRs)	(28,558)
(28,558)	**General Fund balance carried forward**	**(24,283)**
(17,219)	- which relates to General Fund	(13,398)
(11,339)	- which relates to Schools	(10,885)

Balance Sheet

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

31 March 2013 *£'000*	Balance Sheet	31 March 2014 *£'000*	Notes
2,717,427	Property, Plant & Equipment	3,224,720	21
493	Heritage Assets	487	25
8,047	Investment Property	8,125	22
1,494	Intangible Assets	513	23
-	Long Term Assets Held for Sale	-	24
373	Long Term Investments	691	32
272	Long Term Debtors & Prepayments	17	32
2,728,106	**Total Long-Term Assets**	**3,234,553**	
5,024	Short Term Investments	5,032	32
354	Short Term Assets Held for Sale	456	24
633	Inventories	716	36
52,549	Short Term Debtors	54,342	35
5,329	Cash and Cash Equivalents	17,504	41
63,889	**Total Current Assets**	**78,050**	
(82,726)	Short Term Creditors	(84,557)	34
(79,726)	Short Term Borrowing	(45,900)	32
(15,883)	Cash and Bank Overdrawn	(24,898)	41
(6,402)	Short Term Provisions	(7,948)	37
(9,100)	Short Term Grants Receipts in Advance	(11,718)	51
(193,837)	**Total Current Liabilities**	**(175,021)**	
(9,051)	Long Term Provisions	(9,168)	37
(260,800)	Long Term Borrowing	(255,365)	32
(551,542)	Liability Related to Defined Benefit Pensions Scheme	(460,677)	48
(171,883)	Other Long Term Liabilities	(163,104)	32
(14,955)	Long Term Grants Receipts in Advance	(16,691)	51
(1,008,231)	**Total Long Term Liabilities**	**(905,005)**	
1,589,927	**Net Assets**	**2,232,577**	
167,382	Usable Reserves	205,356	39
1,422,545	Unusable Reserves	2,027,221	40
1,589,927	**Total Reserves**	**2,232,577**	

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.

2012/13 *£'000*	Cash Flow Statement	2013/14 *£'000*
96,288	**Net surplus or (deficit) on the provision of services**	**392,733**
(752)	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	(263,207)
(785)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(48,448)
94,751	**Net cash flows from Operating Activities (Note 42)**	**81,078**
(51,433)	Investing Activities (Note 43)	(28,857)
(46,917)	Financing Activities (Note 44)	(49,061)
(3,599)	**Net increase or (decrease) in cash and cash equivalents**	**3,160**
(6,955)	Cash and Cash equivalents at the beginning of the reporting period	(10,554)
(10,554)	**Cash and cash equivalents at the end of the reporting period (Note 41)**	**(7,394)**

Notes to the Accounts (including pension disclosures)

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its financial position at the year-end of 31st March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require it to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code) and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between date the 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.

Exceptionally, treatment of the following is not in accordance with the Code:

- Utility, and similar, accounts are recognised when payment is due and no adjustment is made to reflect the applicable financial year.
- Accruals are generally not raised where amounts are below a threshold, although managers' discretion may be used. For revenue, the general threshold is £10,000 and for capital £50,000.

Neither of these exceptions has a material effect on the financial statements.

iii. Estimation Techniques

Estimation techniques are methods adopted by the Council, when required, to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains, losses and changes to reserves. Individual accounting policies indicate any estimation techniques used by the Council, further information is also provided in note 8.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments and deposits held for returns that mature in no more than three months from the date of acquisition and that are convertible to known amounts of cash with insignificant risk of change in value within 24 hours.

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

v. Exceptional Items

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

vi. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

vii. Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirements, excluding amounts attributable to Housing Revenue Account activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pension Scheme, administered by Islington Council and by the London Pensions Fund Authority (LPFA) for former employees of the Greater London Council and the Inner London Education Authority.
- The NHS Pension Scheme, administered by NHS Pensions.

All schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Council. However, the arrangements for the Teachers' scheme and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified to the Council. These scheme are therefore accounted for as if it were a defined contributions schemes and no liability for future payments of benefits, other than those relating to discretionary pension benefits, is recognised in the balance sheet. Within the Comprehensive Income and Expenditure Statement, the Children's and Education services lines and Public Health lines respectively are charged with the employer's contributions payable to the schemes in the year.

The Local Government Pension Scheme

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

- The liabilities attributable to the areas of both Islington Council and LPFA pension funds are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds [Sterling Corporate Index, AA over 15 years]).

The assets of both pension funds attributable to the Council are included in the balance sheet at their fair value:

- Quoted Securities – Current bid price
- Unquoted Securities – Professional estimate
- Unitised Securities – Current bid price
- Property – Market value.

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest on the net defined benefit liability (i.e. net interest expense for the authority) – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments
- Remeasurements comprising
    - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – 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 Islington Council and LPFA pensions fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense

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

<u>Discretionary Benefits</u>

The Council 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 a 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.

ix. Events after the Balance Sheet Date

This refers to events after the Balance Sheet date, both favourable and unfavourable, that occur between the Balance Sheet date and the date when the Council's Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

x. Financial Instruments

Financial Liabilities

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.
- Fair value through profit and loss – assets that are held for the purposes of trading.

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and accrued interest, and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Council has made a number of loans at less than market rates (“soft loans”), e.g. to employees, voluntary organisations or other entities. When soft loans are made, and if material, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the soft loan debtor with the difference increasing the amortised cost of the loan in the balance sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (which forms part of Unusable Reserves) in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

Available-for-Sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the balance sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – The market price.
- Other instruments with fixed and determinable payments – Discounted cash flow analysis.
- Equity shares with no quoted market prices – Independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve. The gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made or the fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognising of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Fair Value through Profit and Loss

The Council has determined, after professional advice, that it holds 'fair value though profit and loss' assets. These are assets that it, or its representatives, holds for the purpose of trading. These assets are measured on the balance sheet at fair value and any realised or unrealised gains or losses are recognised in the Comprehensive Income and Expenditure Statement.

Instruments Entered Into Before 1 April 2006

The Council entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in xxiii below.

xi. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31st March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. Government Grants and Contributions

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

- the Council will comply with the conditions attached to the payments.
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xiii. Business Improvement District (BID) Schemes

BID projects are schemes for the benefit of a particular area and financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in that BID area. There is one BID in operation in 2013/14 for which the Council acts as an agent. As the billing Council, the only amounts recognised in the Comprehensive Income and Expenditure Statement are:

- any contribution made by the Council to the BID project (i.e. grant-in-aid), which is shown as service expenditure under the relevant service in Comprehensive Income and Expenditure Statement and BID levy collection costs and
- associated (reimbursement) income, which are shown under the relevant service in the Comprehensive Income and Expenditure Statement.

xiv. Heritage Assets

The majority of the Council’s Heritage Assets are held at the Local History Centre (ILHC) and Museum, located in Finsbury Library. Islington Museum holds a collection of about 1,500 objects and documents of significance to the history of the borough of Islington; ILHC houses approximately 100,000 items on the history of the borough. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council’s accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Council’s collections of heritage assets are accounted for as follows.

Civic Regalia

The Authority’s collection of civic regalia is reported in the balance sheet at valuation, based on current production prices, as provided by Furnells Limited.

Museum Exhibits

The objects in the collection have been donated to the Museum by local people. The exhibits range from Victorian irons to World War 2 gas masks. None of the objects are of great monetary value and as such are not recognised in the balance sheet; but they are important in telling the story of the Borough and its inhabitants. The objects are listed in an Acquisitions Register which can be viewed at the museum.

Art Collection

The art collection includes paintings, sketches, photographs and letters. The most significant collections, by Walter Sickert and Geoffrey S Fletcher, are reported in the balance sheet at market value, as determined by an external valuer (Christie, Manson and Woods Ltd).

Artefacts of Joe Orton

The collection of book covers defaced by writer Joe Orton and his partner are recognised at valuation which has been provided by external valuers (Christie, Manson and Woods Ltd).

Other ILHC collections

The Council has a large collection of books, maps, local newspapers, cuttings, pamphlets and ephemera all relating to the Borough of Islington. It also has electoral and parish registers, local authority records, trade directories, workhouse records and census returns. These are not recognised in the balance sheet as the Authority considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values.

Statues and Monuments

The Council does not consider that reliable cost or valuation information can be obtained for its statues, monuments and other historic artefacts. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the balance sheet.

Heritage Assets – General

Assets which cost or are valued at less than £10,000 are normally treated as de minimis, in accordance with the policy for recognising Property, Plant and Equipment, and are not recognised in the balance sheet. However due to the subjective valuation of Heritage Assets and the number of small items this de minimis has not been applied to Heritage Assets. The Council considers that the heritage assets it holds are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see note xxi in this summary of significant accounting policies. The proceeds of any disposals are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see notes xxi and xxv in this summary of significant accounting policies).

Preservation Costs

Expenditure which is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account when it is incurred.
Further information is given in Note 25 to the accounts.

xv. 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.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure is not be capitalised). Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

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

xvi. Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xvii. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
The cost of inventories is assigned using the First-In-First-Out (FIFO) costing formula.
Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the
Provision of Services with the value of works and services received under the contract during the financial year.

xviii. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued regularly and reviewed annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xix. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation. Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

xx. 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.

<u>The Council as Lessee</u>

Finance Leases

Property, plant and equipment held 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. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases 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 Council at the end of the lease period).

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

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and
Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xxi. Property, Plant and Equipment

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred. Expenditure below £10,000 is treated as de minimis and charged to revenue unless it is on existing assets when it is assumed to increase the value of the asset by the cost or as part of a group of similar assets.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter

case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.
Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Dwellings – Fair value, determined using the basis of existing use value for social housing (EUV-SH), based on the Beacon Valuation method.
- Infrastructure, Community Assets and Assets under Construction – Depreciated historical cost.
- Vehicles, Plant and Equipment (VPE) – depreciated historic cost is used as a proxy for fair value
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV).

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for by:

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Dwellings – Straight-line allocation over the useful life of the property as estimated by the valuer.
- Other buildings – Straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the asset as advised by a suitably qualified officer
- Infrastructure – Straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts received for a disposal in excess of £10,000 are categorised as Capital Receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Assets under Construction

Where works will result in an asset but are not completed by the end of the financial year, the cost is charged to Assets under Construction within PPE in the Balance Sheet. Assets under Construction are carried in the Balance Sheet at accumulated historical cost during the period of construction and are exempt from depreciation. In exceptional cases, impairment losses might need to be charged during the construction period, should they arise. Once assets are ready for operational use, the assets are reclassified and valued in accordance with the basis relevant to that particular class of assets.

xxii. Private Finance Initiative

PFI / Service Concession Agreements

PFI and similar contracts are agreements to receive services, where the responsibility for making available the Property, Plant and Equipment needed to provide the services passes to the PFI contractor.

Where the council is deemed to control the services that are provided under its PFI schemes and other arrangements, and where ownership of the Property, Plant and Equipment will pass to the council at the end of the contracts for no additional charge, the council carries such assets on the Balance Sheet during the length of such contracts as part of Property, Plant and Equipment.

The original recognition of these fixed assets at fair value is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. Where the Council agrees to make up front capital contributions (to reduce the annual payment over the duration of the agreement), they are used to reduce the liability.

Property, Plant and Equipment recognised on the Balance Sheet is revalued and depreciated in the same way as other fixed assets owned by the Council.

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

- Fair value of the services received during the year – Debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – An interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – Increases in the amount to be paid for the property arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – Applied to write down the Balance Sheet liability towards the PFI operator
- Lifecycle replacement costs – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

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

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

Contingent Assets

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

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

xxiv. Reserves

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

xxv. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of non-current assets has been charged as expenditure to the relevant service in the comprehensive income and expenditure statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

xxvi. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, where VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them.

xxvii. Overheads and Support Services

The costs of overheads and support services are charged to those services that benefit from the full supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice 2013/14*

(SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

xxviii. Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

2. Prior Period Adjustments

There have been no material prior year adjustments to the Statement of Accounts as a result of changes in accounting policies.

3. Correction of Errors

No material corrections of errors from the 2012/13 Statement of Accounts were identified.

4. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below. A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

IFRS 10 Consolidated Financial Statements – This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have subsidiaries and has not produced consolidated accounts for this financial year. A brief analysis of associated entities shows that this accounting standard is unlikely to have an impact on the Council's statement. If it did the Council would be required to produce Group accounts where material.

IFRS 11 Joint Arrangements – This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no material joint venture arrangements.

IFRS 12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council does not have any such material arrangements that would require consolidation or material disclosures. The Council has equity and voting rights in a number of companies, mainly related to the BSF programme, however these do not give the Council significant influence over the organisation (more than 20% of voting rights) and these are being accounted for accordingly and there is no change envisaged.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures – These statements have been amended to conform to the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements, arising from changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.

IAS 32 Financial Instruments Presentation – The Code references to amended application guidance when offsetting a financial asset and a financial liability. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure is required.

IAS 1 Presentation of the Financial Statements – The changes clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

5. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- 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 materially impaired as a result of a need to close facilities and reduce levels of service provision.

6. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Council's Balance Sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The value of the Pensions Liability is calculated by a qualified Actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Any variation in these assumptions will affect the recognised liability, for example, if the assumed discount rate increased by 1% the net liabilities would decrease by £24.3m.

Asset Valuations

The Council's Property Plant and Equipment are held on a long term basis and require regular valuation to ensure the Council's financial statement accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals to provide up to date assessments using accepted valuation bases and methods.

The largest item of PPE held by the Council is Council Dwellings. The Housing Revenue Account (Accounting Practices) Direction 2007 requires authorities to use the specific bases and methods of valuation set out in the *Guidance on Stock Valuation for Resource Accounting* (updated guidance published by the Department for Communities and Local Government (DCLG) in January 2011). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties, adjusted to reflect their occupation by a secure tenant. The adjustment is considered to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors. The adjustment factor is applied to the total vacant possession valuation based on the beacon valuation.

A 10 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £961.0m

Depreciation and amortisation

These have been calculated using the estimated useful lives (EUL) of the relevant assets. For Property assets these are provided by a qualified valuer, for other assets by an appropriate officer. The EUL's are also reviewed each year by the Council in light of any new information since the last valuation. There is a level of uncertainty around estimating the EUL's of assets but it is anticipated the rolling programme of revaluation and annual review minimises the uncertainty.

Estimated Useful Lives are based on an assumption of future maintenance of the assets. If future spending on maintenance was to change the useful lives assigned to each asset may also change.

If the useful life of assets reduces depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £4.1m for a 10% reduction in useful lives.

The Council has analysed its property portfolio and identified a number of assets as investment properties since their sole purpose is to earn rental income and/or capital appreciation. As a result these properties are not depreciated and held at market value.

Community and Voluntary Controlled schools are recognised on the Council's Balance Sheet as the Council manages these schools, employs the staff and sets the admissions policy. The Council does not include Foundation, Voluntary Aided schools or Academies within its asset register because it is the Governing Body that is responsible for running the school and setting the admissions policy rather than the Council.

Leases / Service Concessions

The Council has 38 leases for Property, Plant & Equipment and classified them as either Finance or Operating leases. The impact of deeming 20 of these as Finance Leases is that £14.0m of assets have been included in the Balance Sheet. A further 18 assets have been deemed to be operating leases and not recognised in the Asset register.

The Council has recognised 6 public/ private partnerships, as service concessions under IFRIC12. The value of assets and liabilities recognised as Service Concessions are shown in Note 30.

One contractual arrangement, leisure management, has been deemed to have the substance of a lease. The Balance Sheet includes assets of £0.29m and a corresponding liability from such contractual arrangements

Outstanding Debtors

These are calculated using actual data where available, such as value of outstanding invoice, rent account etc. For other instances where such 'actual' data does not exist an estimate of the outstanding liability is made by an appropriate officer using the best information available

Bad Debt Provisions

An estimate of the likely uncollectability of outstanding debtors is made each year and a charge made to the Income and Expenditure account. Debtors are then carried on the Balance Sheet net of this provision.

If collection rates were to deteriorate a doubling of the amount of the bad debt provision would require an additional £44.0m to be set aside.

Creditors

These are calculated using actual data where available, such as value of outstanding invoices, rent demands etc. For other instances where such 'actual' data does not exist an estimate of the outstanding liability is made by an appropriate officer using the best information available.

Insurance Provision

This estimate of the potential liability is provided by a qualified professional actuary based on outstanding claims already submitted and an estimate of potential claims that have yet to be made.

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.2m to the provision needed.

7. Material Items of Income and Expenditure

In 2013/14 a revaluation gain of £368m was credited to the HRA to reflect the increase in value of Council dwellings. In 2012/13 a revaluation gain of £117m was credited to the HRA to reflect the increase in value of Council dwellings.

8. Acquired and Discontinued Operations

On 1 April 2013 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant. The Council in the Statement of Accounts has shown Public Health as an acquired operation, with Gross Expenditure and Income of £27m and £26m respectively (none in 2012/13).

9. Profits and losses for significant trading operations

The Council operates commercial investment properties, comprising of a mixture of retail, offices and workspaces situated across the Borough. There are also three Council managed street markets within the Borough – at Chapel Street, Whitecross Street and Exmouth Market.

2012/13		Significant Trading Operations	2013/14	
(Surplus) / Deficit	Turnover		(Surplus) / Deficit	Turnover
£'000	*£'000*		*£'000*	*£'000*
(9)	(224)	Industrial Estates / Commercial Properties	(78)	(427)
(3)	(677)	Street Markets	(9)	(715)
(152)	(8,842)	Other (mainly central support costs)	635	(8,152)
(164)	**(9,743)**	**Total**	**548**	**(9,294)**

10. Significant Agency Income and Expenditure

The Council has an agency agreement with Thames Water for collecting water bills from tenants. The Council received income of £1.049m for this arrangement.

11. Schemes under the Transport Act 2000

This note covers the responsibility that authorities have, under Schedule 12 of the Transport Act 2000, to include, in the Statement of Accounts, details of income and expenditure in relation to road charging schemes and workplace charging levies. It does not cover any other expenditure under the Act, such as that relating to bus schemes. There was no such expenditure in 2013/14 or 2012/13.

12. Pooled Budgets

The Council is involved in a partnership with Islington CCG and other health providers, which derives from Section 75 of the National Health Service Act 2006.

Section 75 of the National Health Service Act 2006 (formerly Section 31 of the Health Act 1999) and the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable health bodies and local authorities to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the needs of clients who meet the criteria established for the pool, rather than the respective contributions of the partners. Thus, it is to be expected that health service resources could be used to deliver local authority services and vice versa. This is intended to ensure client focused care packages are developed and delivered to individuals, which meet their needs in a more seamless and efficient manner.

Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the ‘host’ to the pool. That ‘host’ has responsibility for the administration of the pool. The host partner is required to produce a memorandum account of the financial activity of the pool, which used to be subject to external audit certification until the requirement was discontinued. During 2013/14, seven pooled funds were in operation and their purpose is explained below.

1) Learning Disability Services Pooled Fund: to improve the services received by vulnerable people in the community by integrating the service delivery and commissioning arrangements between health and social care.

2) Intermediate Care Pooled Fund: to reduce delayed transfers of care at the Whittington Hospital through the development and improvement of Intermediate Care Services, better acute hospital processes and joint monitoring of progress.

3) Integrated Community Equipment Services Pooled Fund: to integrate community equipment stock with no distinction between NHS and Social Services equipment; provide access to the stock by many more Assessors, appropriately trained, leading to one stop provision; and establish a purchasing regime that makes full use of technology, purchasing power and efficiency.

4) Mental Health Commissioning Adult Mental Health Care Pooled Fund: to improve the services received by people with mental health care needs in the community by integrating the service delivery and commissioning arrangements between health and social care.

5) Carers Pooled Fund: to improve the services and increase support given to people who act as independent carers by integrating the service delivery between Health and social care. This is intended to improve the access to information and advice for carers, develop and train carers in their caring role to better meet their individual needs, as well as the people for whom they care for.

6) MHCOP Pooled Fund: to improve the services received by older people with mental health care needs who require residential services by integrating the service delivery and commissioning arrangements between health and social care.

7) Mental Health Care Trust Pooled Fund: to integrate the provision of health and social services for people with mental health needs in the London Borough of Islington. The fund will cover the provision of services for the following Client Groups: Adult MH Services Client group, Mental Healthcare of Older People Client group and Substance Misuse Services Client group.

London Borough of Islington is the host party for arrangements 1) – 6) and Camden & Islington NHS Foundation Trust is the host party for arrangement 7).

Gross income and expenditure is analysed in the table below and Islington Council's share of the income and expenditure has been included in its Comprehensive Income & Expenditure Statement.

Pooled Budgets 2013/14	Gross Expenditure	Islington Council Contribution	Islington CCG Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	29,016	(25,457)	(3,559)	-	-	(29,016)
Intermediate Care Pooled Fund	6,230	(1,784)	(4,421)	-	(25)	(6,230)
Integrated Community Equipment Services Pooled Fund	1,094	(547)	-	(547)	-	(1,094)
Mental Health Commissioning Adult Mental Health Care	4,828	(2,764)	(2,064)	-	-	(4,828)
Carers Pooled Fund	947	(862)	(85)	-	-	(947)
MHCOP Pooled Fund	5,184	(2,931)	(2,253)	-	-	(5,184)
Mental Health Care Trust Pooled Fund	22,164	(3,031)	-	(19,133)	-	(22,164)
Totals	**69,463**	**(37,376)**	**(12,382)**	**(19,680)**	**(25)**	**(69,463)**

Pooled Budgets 2012/13	Gross Expenditure £'000	Islington Council Contribution £'000	Islington PCT Contribution £'000	Camden & Islington NHS Foundation Trust Contribution £'000	Whittington Hospital NHS Trust Contribution £'000	Total Contributions £'000
Learning Disabilities Pooled Fund	28,256	(24,853)	(3,403)	-	-	(28,256)
Intermediate Care Pooled Fund	1,287	(874)	(374)	-	(39)	(1,287)
Integrated Community Equipment Services Pooled Fund	908	(443)	(465)	-	-	(908)
Mental Health Commissioning Adult Mental Health	4,367	(2,405)	(1,962)	-	-	(4,367)
Carers Pooled Fund	1,066	(971)	(95)	-	-	(1,066)
MHCOP Pooled Fund	5,184	(2,956)	(2,228)	-	-	(5,184)
Mental Health Commissioning Substance Misuse	13,004	(378)	(12,626)	-	-	(13,004)
Mental Health Care Trust Pooled Fund	20,456	(3,172)	-	(17,284)	-	(20,456)
Totals	**74,528**	**(36,052)**	**(21,153)**	**(17,284)**	**(39)**	**(74,528)**

13. Members' Allowances

The Council paid the following amounts to members of the Council during the year.

2012/13 £'000	Members' Allowances	2013/14 £'000
507	Basic Allowance	506
367	Special Responsibility Allowance	359
4	Other Allowances	3
878	**Total**	**868**

Details of the amounts paid to individual Councillors are published on the Council’s website.

14. Officers' Remuneration

Senior Officers' Remuneration

The tables below show Senior Officers' remuneration for 2013/14 and 2012/13.

Senior officers remuneration for 2013/14 Post	Salary (Including fees & allowances) £	Compensation for loss of employment £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive - Lesley Seary	160,000	-	**160,000**	17,440	**177,440**
Assistant Chief Executive - Governance & HR	115,451	-	**115,451**	12,584	**128,035**
Assistant Chief Executive - Strategy & Community Partnerships	110,451	-	**110,451**	12,039	**122,490**
Corporate Director of Children's Services	134,237	-	**134,237**	11,854	**146,091**
Corporate Director of Environment & Regeneration	134,480	-	**134,480**	14,658	**149,138**
Corporate Director of Housing & Adult Social Services	129,741	-	**129,741**	14,142	**143,883**
Corporate Director of Finance	134,463	-	**134,463**	14,656	**149,119**
Corporate Director of Public Health*	112,730	-	**112,730**	15,779	**128,509**
Total	**1,031,553**	**0**	**1,031,553**	**113,152**	**1,144,705**

* In April 2013, the Council acquired a new Public Health operation from the NHS. This included the post of Corporate Director of Public Health, a role which is shared with London Borough of Camden and 52% of the costs of which are recharged to Camden.

Senior officers remuneration for 2012/13 Post	Salary (Including fees & allowances) £	Compensation for loss of employment £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive - Lesley Seary	160,000	-	**160,000**	17,440	**177,440**
Assistant Chief Executive - Governance & HR*	111,701	-	**111,701**	12,175	**123,876**
Assistant Chief Executive - Strategy & Community Partnerships*	107,970	-	**107,970**	11,769	**119,739**
Corporate Director of Children's Services	145,000	-	**145,000**	15,805	**160,805**
Corporate Director of Environment & Regeneration	134,480	-	**134,480**	14,658	**149,138**
Corporate Director of Housing & Adult Social Services	129,741	-	**129,741**	14,142	**143,883**
Corporate Director of Resources**	101,207	46,366	**147,573**	11,032	**158,605**
Corporate Director of Finance	134,463	-	**134,463**	14,656	**149,119**
Total	**1,024,562**	**46,366**	**1,070,928**	**111,677**	**1,182,605**

* The two Assistant Chief Executive posts were formalised and began reporting to the Chief Executive following the reorganisation of the then Corporate Resources directorate in January 2013. The remuneration shown in the table includes amounts the incumbents also received prior to reporting directly to the Chief Executive

** The post of Corporate Director of Resources was deleted in January 2013 following the reorganisation of this directorate.

The Council does not operate a bonus scheme for Senior Officers, nor does it offer expense allowances.

In 2012/13 there were three local by-elections for which the Chief Executive received payments for work as the returning officer. These are not shown in the figures above. The GLA elections in May 2012 led to a number of senior officers receiving payments for work on behalf of the constituency returning officer. As payments for work on behalf of the constituency returning officer are not made by the Council itself these payments are not part of the Council’s remuneration payments to senior officers

Remuneration Bands above £50k

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employers' pension contributions but including redundancy payments) were paid the following amounts:

Remuneration Band	2012/13 Schools No of employees	2012/13 Other No of employees	2013/14 Schools No of employees	2013/14 Acquired/ Insourced Operations* No of employees	2013/14 Other No of employees
£50,000 - £54,999	116	80	134	14	83
£55,000 - £59,999	77	46	73	10	51
£60,000 - £64,999	34	23	32	6	27
£65,000 - £69,999	16	19	20	2	15
£70,000 - £74,999	17	7	21	-	2
£75,000 - £79,999	12	4	13	2	6
£80,000 - £84,999	15	16	13	3	15
£85,000 - £89,999	9	2	9	3	4
£90,000 - £94,999	2	1	3	1	1
£95,000 - £99,999	5	3	6	1	3
£100,000 - £104,999	2	2	2	1	1
£105,000 - £109,999	1	7	1	-	2
£110,000 - £114,999	1	4	-	1	6
£115,000 - £119,999	-	-	1	1	-
£120,000 - £124,999	-	-	-	-	-
£125,000 - £129,999	1	-	-	-	-
£130,000 - £134,999	1	-	1	-	-
£135,000 - £139,999	-	-	1	-	-
£140,000 - £144,999	-	-	-	-	-
£145,000 - £149,999	-	-	-	-	-
over £150,000	-	-	-	-	2
TOTAL	309	214	330	45	218

*In April 2013, the Council acquired a Public Health operation from the NHS, and brought their education services operation back in-house.

The above table does not include remuneration of senior officers, whose information is disclosed in more detail in the senior officers' remuneration tables above.

Termination Benefits

The Code requires the disclosure of the number and cost of exit packages agreed by the Council. The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
							£'000	£'000
£0 - £20,000	32	31	122	96	154	127	1,285	869
£20,001 - £40,000	11	4	33	19	44	23	1,191	601
£40,001 - £60,000	1	1	10	8	11	9	547	414
£60,001 - £80,000	1	2	4	8	5	10	346	673
Over £80,000	1	2	2	3	3	5	311	609
Total	**46**	**40**	**171**	**134**	**217**	**174**	**3,680**	**3,166**
Other costs assocatiated with Termination Benefits							141	524
Total Termination Benefits							**3,821**	**3,690**

Exit packages comprise both payments made to employees and amounts paid to the Pension Fund as a result of terminating the employee's contract. The majority of payments to the Pension Fund relate to capital costs of early retirements (pension strain). Exit packages relating to ill health retirements are excluded from the table as they are post-employment benefits arising from membership of the scheme and not termination benefits. The table includes exit packages relating to schools employees.

The 2013/14 cost of termination benefits of £3.691m includes £0.449m for exit packages that have been agreed, accrued for and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. The £0.524m other costs associated with termination benefits in 2013/14 relate to additional costs incurred relating to 2012/13 accruals estimates and costs relating to flexible retirement.

15. Material transactions with related parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

UK Central Government

The UK Government has significant influence 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, housing benefit).

Grants received from Government Departments are set out in the subjective analysis in Note 45 on reporting for resources allocation decisions. Grant receipts outstanding as at 31 March 2014 are shown in Note 51.

Members / Officers

Members of the Council have direct control over the Council's financial and operating policies and they are required to act in accordance with the Council's procedures for preventing undue influence.

This disclosure note has been prepared using the Council's Register of Member's Declarations of Interest in respect of related party transactions from Members and Chief Officers. Details of each councillor's declarations can be seen during normal office hours at Islington Town Hall, Upper Street, London, N1 2UD. Please call to make an appointment to view them on 020 7527 3012 or E-mail: patricia.niclas@islington.gov.uk

The totals of Members allowances paid in 2013/14 are disclosed in note 13.

Significant Related Party transactions are detailed in the following table:

Related Parties		Income Received 2013/14	Payments Made 2013/14	Balance out-standing @ 31/03/14
Organisation	**Nature of Relationship**	£'000	£'000	£'000
Members/Chief Officers				
Voluntary Organisations	17 members, 1 chief officer and 1 close relative of a member's family are involved in management of voluntary organisations.	338	1,410	-
Community Groups	20 Members, 1 Chief Officer and 4 close members of members' families are involved in management of community groups.	60	1,576	(32)
Private Companies	1 Member and 1 close relative of a member's family is involved in the management of private companies with which we have transactions.	-	-	-
Housing Associations	2 members of chief officers' families are board members of a housing association.	391	1,248	5
Universities & Colleges	1 member and 1 chief officer are involved in the management of a college.	95	497	(43)
North London Waste Authority	2 Members are board members of this organisation.	3	6,923	166
Other Public Bodies				
Local NHS Bodies	Transactions and balances shown here include those relating to partnerships with Local NHS bodies derived from Section 75 of the National Health Service Act 2006 (Pooled Budgets). Further details of the pooled funding arrangements are disclosed in note 14 of the accounts. 5 Members are appointed to NHS trusts.	16,287	19,034	(836)
Local authority - Camden	The Council transacts with other local authorities - Camden is the main authority that LBI transacts with.	3,566	2,195	(206)
Entities Controlled or Influenced by the Authority				
Aquaterra	Aquaterra has been in a service contract with LBI since 2006. LBI has influence over the setting of fees/charges. LBI form an important proportion of Aquaterra's work and they work closely together on various projects.	701	1,330	43
Enterprise Islington	LBI holds a special share which affords it the right to appoint a Director to the Board of Enterprise Islington.	1,308	5,521	-
Transform Islington	Transform Islington has a number of design, build, finance and operate contracts with LBI lasting 25 years. LBI holds a 10% shareholder rights in Transform Islington.	5	22,543	(112)
Angel Town Centre Ltd (ATC)	LBI is a member of ATC and has the right to appoint a director. LBI facilitates the collection of the BID levy annually on behalf of the ATC.	300	227	163
Other Related Parties				
Pension Fund	As administrator of the pension fund, the administering authority has direct control of the fund. The related party figures differ from those reported in the Pension Fund due to timing differences.	1,006	39,795	1,401
London Capital Credit Union	Member owned not for profit savings and loans co-operative. The previous soft loan made to this organisation was transferred during the financial year into a grant.	-	275	-

16. Fees payable to the Appointed Auditor

In 2013/14, Islington Council incurred the following fees relating to external audit:

2012/13 £'000	Audit Costs	2013/14 £'000
268	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	268
53	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	34
-	Fees payable in respect of other services provided by the appointed auditor during the year	29
321	**Total Audit Cost**	331

17. 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 Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2013/14	Usable Reserves					
Adjustments between Account Basis and Funding Basis under Regulations	**General Fund** *£'000*	**Housing Revenue Account** *£'000*	**Capital Receipts Reserve** *£'000*	**Major Repairs Reserve** *£'000*	**Capital Grants Unapplied** *£'000*	**Movement in Unusable Reserves** *£'000*
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(40,062)	(17,251)	-	-	-	57,313
Revaluation losses on Property Plant and Equipment	-	367,814	-	-	-	(367,814)
Movement in the fair value of Investment Properties	609	-	-	-	-	(609)
Amortisation of intangible assets	(889)	(92)	-	-	-	981
Capital grants and contributions applied	9,476	1,018	-	-	-	(10,494)
Income in relation to donated assets	-	-	-	-	-	0
Revenue expenditure funded from capital under statute	(6,676)	(1,345)	-	-	-	8,021
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,596)	(11,930)	-	-	-	15,526
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	9,281	6,231	-	-	-	(15,512)
Capital expenditure charged against the General Fund and HRA	17,340	2,079	-	-	-	(19,419)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,438	-	-	-	(1,438)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	553	(553)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,993	27,912	(33,905)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	10,211	-	-	(10,211)
Use of capital receipts to fund disposal costs	-	(388)	388	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3,079)	-	3,079	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	0

2013/14 Adjustments between Account Basis and Funding Basis under Regulations	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
	Usable Reserves					
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	0
Adjustment primarily involving the Major Repairs Reserve						
Reversal of Notional Major Repairs Allowance credited to the HRA	-	17,344	-	(17,344)	-	0
Additional Contributions from the HRA	-	30,936	-	(30,936)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	32,903	-	(32,903)
Adjustment primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(116)	-	-	-	116
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 50)	(47,537)	(3,820)	-	-	-	51,357
Employer's pensions contributions and direct payments to pensioners payable in the year	27,965	2,345	-	-	-	(30,310)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	423	-	-	-	-	(423)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	0
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(139)	(36)	-	-	-	175
Total Adjustments	**(29,453)**	**420,701**	**(20,227)**	**(15,377)**	**(885)**	**(354,759)**

2012/13

Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves: General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(49,783)	(15,134)	-	-	-	64,917
Revaluation losses on Property Plant and Equipment	-	116,098	-	-	-	(116,098)
Movement in the market value Investment Properties	(2)	-	-	-	-	2
Amortisation of intangible assets	(1,252)	(93)	-	-	-	1,345
Capital grants and contributions applied	-	-	-	-	-	0
- Self-financing debt settlement	-	-	-	-	-	0
- Other	19,840	1,031	-	-	-	(20,871)
Movement in the Donated Assets Account	8	-	-	-	-	(8)
Revenue expenditure funded from capital under statute	(14,830)	-	-	-	-	14,830
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(29,681)	(3,494)	-	-	-	33,175
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	4,286	6,526	-	-	-	(10,812)
Capital expenditure charged against the General Fund and HRA	26,364	2,232	-	-	-	(28,596)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	(6,206)	6,206
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,763	(1,763)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,327	9,397	(11,724)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(293)	-	-	293
Capital receipt applied to repayment of debt under Self-financing settlement	-	-	-	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(2,703)	-	2,703	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(2,790)	-	-	2,790

Adjustments between Account Basis and Funding Basis under Regulations (contd)	Usable Reserves					
	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	0
Adjustment primarily involving the Major Repairs Reserve						
HRA depreciation/amortisation credited to MRR	-	15,226	-	(15,226)	-	0
Additional Contributions from the HRA	-	29,175	-	(29,175)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	32,948	-	(32,948)
Adjustment primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(116)	-	-	-	116
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 50)	(43,262)	(3,086)	-	-	-	46,348
Employer's pensions contributions and direct payments to pensioners payable in the year	25,611	2,848	-	-	-	(28,459)
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(6)	-	-	-	-	6
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	0
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(179)	107	-	-	-	72
Total Adjustments	**(63,262)**	**160,717**	**(12,104)**	**(11,453)**	**(4,443)**	**(69,455)**

18. Other Operating Expenditure

A breakdown of 'Other Operating Expenditure' included in the Comprehensive Income and Expenditure Statement is shown below:

2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000	Other Operating Expenditure	2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
7,061	-	7,061	Levies	6,840	-	6,840
2,703	-	2,703	Payments to the Government Housing Capital Receipts Pool	3,079	-	3,079
33,175	(11,692)	21,483	Gains/Loss on the disposal of non-current assets	15,045	(33,616)	(18,571)
42,939	(11,692)	31,247	**Total**	24,964	(33,616)	(8,652)

19. Financing and Investment Income and Expenditure

A breakdown of 'Financing and Investment Income and Expenditure' included in the Comprehensive Income and Expenditure Statement is shown below:

2012/13 Gross Expenditure £'000	2012/13 Gross Income £'000	2012/13 Net Expenditure £'000	Financing and Investment Income and Expenditure	2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000
38,685	-	38,685	Interest payable and similar charges	37,389	-	37,389
21,280	-	21,280	Net interest on the net defined benefit liability	22,650	-	22,650
-	(326)	(326)	Interest Receivable and similar Income	-	(203)	(203)
(2,312)	-	(2,312)	Income and expenditure in relation to investment properties and changes in the fair value	(737)	-	(737)
-	(32)	(32)	Gains/Loss on the disposal of investment properties	480	(288)	192
9,579	(9,743)	(164)	Trading operations	9,842	(9,294)	548
67,232	**(10,101)**	**57,131**	**Total**	**69,624**	**(9,785)**	59,839

20. Taxation and Non Specific Grant Incomes

A breakdown of 'Taxation and Non Specific Grant Incomes' included in the Comprehensive Income and Expenditure Statement is shown below:

2012/13 Gross Income £'000	Taxation and Non Specific Grant Income	**2013/14 Gross Income** £'000
(86,354)	Council Tax Income	(68,119)
(151,318)	Contribution from National Non-Domestic Rates Pool	-
(2,933)	Revenue Support Grant	(111,949)
-	Business Rates Retained	(53,362)
-	Top-up Grant	(19,616)
(32,789)	Non-ringfenced government grants	(17,376)
(20,879)	Capital grants and contributions	(11,932)
(294,273)	**Total**	(282,354)

Council Tax income has reduced as a result of the localisation of Council Tax, with Council Tax benefits being replaced by Council Tax Support a grant within the Revenue Support Grant. Please refer to the Collection fund accounts later in this document for more details.

The Business Rate Retention Scheme has replaced the national Non-Domestic Rates Pool and instead allows the Council to retain a proportion of Business Rates. In addition the Council received a Top-up grant. Please refer to the Collection fund accounts later in this document for more details.

Non ring fenced grants have fallen as a result of grants such as Learning Disability and Health Reform / Early Intervention being received through the Revenue Support Grant

21. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2013/14	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation									
At 1 April 2013	**1,884,768**	**616,533**	**23,789**	**218,723**	**27,165**	**7,272**	**9,220**	**2,787,470**	**189,791**
Additions	35,120	14,324	4,564	11,733	866	(6)	7,125	73,726	512
Donations	-	-	-	-	-	-	-	0	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	129,556	296	-	-	-	107	-	129,959	11,752
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	359,805	(18,247)	-	-	-	(6)	-	341,552	26,360
Derecognition - Disposals	(11,402)	(3,465)	-	-	-	-	-	(14,867)	(570)
Derecognition - Other	-	(380)	(3,397)	-	-	-	-	(3,777)	-
Assets reclassified (to)/from Held for Sale and Investment Properties	(15)	(65)	-	-	-	-	-	(80)	-
Other movements in Cost or Valuation	4,766	(9,976)	-	-	263	9,713	(4,766)	0	-
At 31 March 2014	**2,402,598**	**599,020**	**24,956**	**230,456**	**28,294**	**17,080**	**11,579**	**3,313,983**	**227,845**
Accumulated Depreciation and Impairment									
At 1 April 2013	**0**	**(16,793)**	**(12,056)**	**(37,871)**	**(2,890)**	**(433)**	**0**	**(70,043)**	**(4,668)**
Depreciation charge	(15,238)	(10,895)	(4,648)	(8,219)	(337)	(259)	-	(39,596)	(5,896)
Depreciation written out on revaluations recognised in the Revaluation Reserve	7,152	895	-	-	-	-	-	8,047	1,305
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	8,009	516	-	-	-	42	-	8,567	1,461
Impairment losses/(reversals)recognised in the Revaluation Reserve	-	-	-	-	-	-	-	0	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	0	-
Derecognition - Disposals	77	207	-	-	-	-	-	284	11
Derecognition - Other	-	51	3,397	-	-	-	-	3,448	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	30	-	-	-	-	-	30	-
Other movements in Depreciation and Impairment	-	276	-	-	-	(276)	-	0	-
At 31 March 2014	**0**	**(25,713)**	**(13,307)**	**(46,090)**	**(3,227)**	**(926)**	**0**	**(89,263)**	**(7,787)**
Net Book Value At 31 March 2014	**2,402,598**	**573,307**	**11,649**	**184,366**	**25,067**	**16,154**	**11,579**	**3,224,720**	**220,058**

Movement in Property, Plant and Equipment - 2012/13	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation									
At 1 April 2012	**1,748,670**	**609,844**	**17,308**	**209,327**	**25,173**	**5,057**	**33,667**	**2,649,046**	**152,782**
Additions	33,417	53,147	5,332	9,361	1,659	165	5,263	108,344	28,688
Donations	-	-	-	-	-	-	-	0	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve		(8,096)	-	-	-	1,179	-	(6,917)	167
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	102,962	(34,793)	-	-	-	871	-	69,040	8,325
Derecognition - Disposals	(2,720)	-	-	-	-	-	-	(2,720)	(171)
Derecognition - Other	-	(30,073)	(31)	-	(66)	-	-	(30,170)	-
Assets reclassified (to)/from Held for Sale	(208)	-	-	-	-	-	-	(208)	-
Other movements in Cost or Valuation	2,647	26,504	1,180	35	399		(29,710)	1,055	-
At 31 March 2013	**1,884,768**	**616,533**	**23,789**	**218,723**	**27,165**	**7,272**	**9,220**	**2,787,470**	**189,791**
Accumulated Depreciation and Impairment									
At 1 April 2012	**0**	**(16,373)**	**(6,410)**	**(30,045)**	**(2,556)**	**(374)**	**0**	**(55,758)**	**(5,009)**
Depreciation charge	(13,156)	(8,972)	(5,583)	(7,826)	(337)	(160)	-	(36,034)	(3,712)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	2,339	-	-	-	29	-	2,368	37
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	13,136	5,549	-	-	-	72	-	18,757	4,013
Impairment losses/(reversals)recognised in the Revaluation Reserve	-	8	-	-	-	-	-	8	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	232	-	-	-	-	-	232	-
Derecognition - Disposals	19	-	-	-	-	-	-	19	3
Derecognition - Other	-	475	10	-	3		-	488	-
Other movements in Depreciation and Impairment	1	(51)	(73)	-	-	-	-	(123)	-
At 31 March 2013	**0**	**(16,793)**	**(12,056)**	**(37,871)**	**(2,890)**	**(433)**	**0**	**(70,043)**	**(4,668)**
Net Book Value At 31 March 2013	**1,884,768**	**599,740**	**11,733**	**180,852**	**24,275**	**6,839**	**9,220**	**2,717,427**	**185,123**

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – Useful Economic Lives (typically 30–70 years for buildings)
- Other Land and Buildings: Useful Economic lives (typically 30–50 years for buildings)
- Vehicles, Plant, Furniture & Equipment – Useful Economic lives (typically under 10 years)
- Infrastructure – 25 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by Mr Peter Holmes MRICS and Mr Andrew Jeffery MRICS as at 1st April, with a review at the end of the year to identify any significant changes. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	**Total £'000**
Carried at historical cost	**0**	**0**	**11,649**	**184,366**	**25,067**	**0**	**11,579**	**232,661**
Valued at fair value as at:								
31 March 2014	2,402,598	34,699	-	-	-	992	-	**2,438,289**
31 March 2013	-	237,716	-	-	-	3,880	-	**241,596**
31 March 2012	-	195,467	-	-	-	360	-	**195,827**
31 March 2011	-	102,122	-	-	-	10,775	-	**112,897**
31 March 2010	-	3,303	-	-	-	147	-	**3,450**
Total Cost or Valuation	**2,402,598**	**573,307**	**11,649**	**184,366**	**25,067**	**16,154**	**11,579**	**3,224,720**

Capital Commitments

At 31st March 2014, the Council had entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years, budgeted to cost £15.5m. Similar commitments at 31st March 2013 were £21.8m. The commitments are:

Capital Commitments	31st Mar 2014 *£'000*
Housing Commitments:	
Treaty Street (Externals)	1,667
Canonbury Court	684
New North Road Estate	929
Percival Estate	823
Weston Rise Estate	805
St Lukes pipework (Ph2)	696
47-53 Leigh Road	1,052
Parkhurst Road Garages	2,518
1 Lyon Street	2,792
Other Commitments:	
Newington Green Refurbishment	3,519
Total	**15,485**

22. Investment Properties

The following items of income and expenditure are accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement where material:

2012/13 £'000	Investment Properties	2013/14 £'000
(575)	Rental income from investment property	(460)
252	Direct operating expenses arising from investment property	159
(323)	**Net (gain)/loss**	**(301)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year

2012/13 £'000	Movement in fair value of Investment Properties	2013/14 £'000
5,892	**Balance at start of the year**	**8,047**
	Additions:	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
-	Disposals	(480)
2,312	Net gains/(losses) from fair value adjustments	737
	Transfers:	
-	to/from Inventories	-
(157)	to/from Property, Plant and Equipment	(179)
-	Other changes	-
8,047	**Balance at end of the year**	**8,125**

23. 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. Intangible assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. At 31st March 2014 there were no individual material intangible assets.

The carrying amount of intangible assets is amortised on a straight-line basis over four years. The amortisation of £981k charged to revenue in 2013/14 was ultimately charged to the service headings in the Net Cost of Services. The movement on Intangible Asset balances during the year is as follows:

2012/13 Internally Generated Assets £'000	2012/13 Other Assets £'000	2012/13 Total £'000	Intangible Assets	2013/14 Internally Generated Assets £'000	2013/14 Other Assets £'000	2013/14 Total £'000
			Balance at start of year:			
-	8,939	8,939	Gross carrying amounts	-	9,254	9,254
-	(6,415)	(6,415)	Accumulated amortisation	-	(7,760)	(7,760)
0	2,524	**2,524**	**Net carrying amount at start of year**	0	1,494	**1,494**
			Additions			
-	-	-	Internal development	-	-	-
-	-	-	Purchases	-	-	-
-	300	300	Acquired through business combinations	-	-	-
-	-	-	Assets reclassified as held for sale	-	-	-
-	-	-	Other disposals	-	-	-
-	-	-	Revaluations increases or decreases	-	-	-
-	-	-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-
-	-	-	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-
-	-	-	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-
-	(1,345)	(1,345)	Amortisation for the period	-	(981)	(981)
-	15	15	Other changes	-	-	-
0	**1,494**	**1,494**	**Net carrying amount at end of year**	**0**	**513**	**513**
			Comprising:			
-	9,254	**9,254**	Gross carrying amounts	-	9,254	**9,254**
-	(7,760)	**(7,760)**	Accumulated amortisation	-	(8,741)	**(8,741)**

24. Assets Held for Sale

2012/13 Non Current £'000	2012/13 Current £'000	Assets Held for Sale	2013/14 Non Current £'000	2013/14 Current £'000
0	**941**	**Balance outstanding at start of year**	**0**	**354**
		Assets newly classified as held for sale:		
-	206	*Property, Plant and Equipment*	-	309
-	-	*Intangible Assets*	-	-
-	-	*Other assets/liabilities in disposal groups*	-	-
-	-	Revaluation losses	-	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
-	-	*Property, Plant and Equipment*	-	(80)
-	-	*Intangible Assets*	-	-
-	-	*Other assets/liabilities in disposal groups*	-	-
-	(793)	Assets sold	-	(127)
-	-	Transfers from non current to current	-	-
-	-	[Other movements]	-	-
0	**354**	**Balance outstanding at year-end**	**0**	**456**

25. Heritage Assets

All the Heritage Assets that the Council has recognised in its Balance Sheet are carried at valuation. There has been no significant movement in valuation in the last five years nor have there been any significant acquisitions or disposals.

The following table shows a breakdown of the valuation of the Council's heritage assets:

31 March 2013 £'000	Heritage Assets	31 March 2014 £'000
99	Civic Regalia	93
207	Orton Collection	207
175	Sickert Collection	175
12	Fletcher Collection	12
493	**Total**	**487**

Civic Regalia

The collection consists of several items including the mayoral chains and silverware; the most significant item being the Mace which is a symbol of the Queen's authority and precedes the Mayor on civic occasions. The Mace was presented to the Council in June 1901 by Sir Albert Kaye Rollit, Member of Parliament for South Islington.

A chain and a badge from the Civic Regalia collection was lost in the 2013/14 year. The estimated value of both the badge and the chain was £3,000 each.

Museum Exhibits

The museum holds about 1,500 exhibits which are primarily of local significance and range from Victorian irons to World War 2 gas masks. It also holds a small collection of archaeological material. The initial core of the collection came from donations made to Islington Libraries from the 1930s onwards and further donations have been made since the museum opened in 1988. None of the objects are of great monetary value, but they are important in telling the story of the borough and its inhabitants. The most valuable object in the museum is a silver cup bought by public subscription and grant aid, which is worth circa £4,000. The objects are listed in an acquisitions register which can be viewed at the museum.

Art Collection

The collection consists of photographs, paintings, drawings and engravings of local scenes, places, people and events. There are two collections of particular significance; those of Geoffrey Scowcroft Fletcher, a renowned artist, author and connoisseur of 'off-beat' London, and the family collection of painter Walter Sickert. The Fletcher collection primarily contains sketchbooks and materials related to his publications. The sketchbooks cover the period 1943 - 1972 and contain mostly pen and ink drawings. The majority of the works and personal ephemera were donated to the Islington Library Service by the artist himself in the 1970s. The Walter Sickert Family Collection includes paintings, sketches, photographs and letters by and relating to artists Walter Sickert and his wife Thérèse Lessore and the Sickert family. For the most part, these artworks are not finished works but they show how Sickert recorded his visual impressions in preparatory sketches that were the very source and foundation of his art. Most of this material was deposited with Islington Libraries by the Sickert Trust (1947-1950) in recognition of the significance of Islington in the artist's life. The collection reflects Sickert's enduring reputation as an artist, writer, teacher and eccentric.

Joe Orton Artefacts

The collection consists of books, cuttings and reproductions of the Islington Library Service book covers infamously defaced and doctored by writer Joe Orton and his partner Kenneth Halliwell during the early 1960s.

Sadler's Wells Theatre Collection

The Sadler's Wells Theatre archive is one of the most important special collections held by Islington Local History Centre. In 2010, the centre was awarded almost £33,000 by the National Cataloguing Grants Programme for Archives to fund new work to catalogue and preserve this material. The Sadler's Wells collection contains materials dating from the early 1700s onwards, representing all six theatres that have occupied the site since 1683. These range from 18th century playbills and Victorian pantomime scripts to modern administrative files and photographs. Together, these records document how the theatre survived across five centuries and the significance of Sadler's Wells to the history of performing arts locally and nationally. The archive holds programmes dating from the 1930's through to 2011, with the earliest being Old Vic Shakespeare Company's production of Twelfth Night on 6th January 1931; this date was the opening night of the newly built Sadler's Wells Theatre.

Local History Collections

Islington Local History Centre holds approximately 100,000 items reflecting Islington life past and present. The Centre has local maps dating from the 1700s onwards; local newspapers, magazines, pamphlets and ephemera, including the Islington Gazette which is available on microfilm from 1856 to date. It also houses poor law and workhouse records from the 18th and 19th centuries for the Clerkenwell Workhouse. The electoral registers cover what is now the London Borough of Islington from 1873 to date while the microfilmed parish registers for St Mary's Islington have details of baptism, marriage and burials from the 16th to late 19th centuries. The Centre also holds printed copies of St James Clerkenwell parish registers from 1551 to 1754. There are local authority records of the vestries of St James Clerkenwell, St Luke Old Street and St Mary Islington and of the metropolitan boroughs of Finsbury and Islington, including council and committee minutes.

Statues and Monuments

The Council has a number of statues and monuments situated around the borough. The principal ones are:

- The Neighbours Sculpture at Highbury Quadrant Estate
- War Memorial at St Aloysius School
- Grade II listed grave of Joseph Grimaldi, Grimaldi Park
- The Clock Tower, Caledonian Park.
- Boer War Memorial and Flanking Cannon, Highbury Fields.
- Clock Tower on the corner of Highbury Hill and Church Path.
- Whittington Stone, Highgate Hill south of the junction with Magdala Avenue
- Statue of Sir Hugh Myddelton, Islington Green
- Clerks Well and Chamber/Enclosure in basement of 16 Farringdon Lane
- Drinking Fountain at Finsbury Square.
- War Memorial, Rosebery Avenue.
- Islington War Memorial, Manor Gardens
- Mural at City of London Academy, Packington Street
- Cattle Trough, Ray Street Bridge.
- Watch House, Canonbury Grove

As set out the summary of significant accounting policies, the Authority does not consider that reliable cost or valuation information can be obtained for its statues and monuments. This is because of the diverse nature of the assets held and lack of comparable market values.

Preservation and Management

Islington Local History Centre (ILHC) is committed to the preservation and conservation needs of its collections. The Centre adapts preservation and conservation guidelines advocated by The National Archives and the National Preservation Office. Conservation work is undertaken externally, usually by the conservation unit at London Metropolitan Archives. Risk assessments are undertaken on a regular basis to prevent disasters. Preservation and conservation costs are charged to the Comprehensive Income and Expenditure Statement. Material can be loaned to external organisations and bodies for exhibition providing that the correct procedures are followed.

Islington Museum aims to fully document its collection in a way that will allow maximum access for researchers, educators, general visitors and staff, and to comply with accreditation and SPECTRUM standards. Islington Museum keeps a manually written Accession Register and catalogues all objects on the digital Adlib system. The Islington Museum Trust, which is a registered charity, was set up in 1989 with the main purpose of fund raising for the museum. There is also a Museum Friends organisation, which supports the Museum by providing volunteers.

The memorials are cleaned annually in preparation for the Remembrance Day events and any remedial work required is carried out at this time. Any repairs to other statues or monuments are carried out as required following any necessary surveys.

26. Construction Contracts

As of 31st March 2014 the Council was not undertaking any construction contracts on behalf of third parties, nor were any such construction contracts undertaken as of 31st March 2013.

27. Impairment Losses

No significant impairment losses were charged either in 2012/13 or in 2013/14.

28. Capitalisation of Borrowing Costs

The Council did not capitalise any borrowing costs either in 2012/13 or in 2013/14.

29. Leases

Council as Lessee

The Council has 20 assets acquired under such leases carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2013 £'000	Leased Assets	31 March 2014 £'000
13,457	Other Land and Buildings	13,553
566	Vehicles, Plant, Furniture and Equipment	442
14,023	**Total**	**13,995**

The above also includes an arrangement containing an embedded lease, for the provision of fitness equipment within the leisure management contract.

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

31 March 2013 £'000	**Finance lease liabilities** (net present value of minimum lease payments):	31 March 2014 £'000
238	Repayment of liability due within one year	226
1,792	Repayment of liability due after one year	847
3,191	Finance costs payable in future years	1,859
5,221	**Total**	**2,932**

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	238	226	344	278
Later than one year and not later than five years	414	270	694	438
Later than five years	1,379	577	4,183	2,216
Total	**2,031**	**1,073**	**5,221**	**2,932**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

In 2013/14 contingent rents payable by the Council in respect of finance leases totalled £0.46m.

<u>Operating Leases</u>

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

31 March 2013 £'000	Operating Leases (Lessee)	31 March 2014 £'000
760	Not later than one year	188
1,817	Later than one year and not later than five years	649
762	Later than five years	763
3,339	**Total**	**1,600**

Council as Lessor

Finance Leases

The Council has leased out a number of assets on a finance lease basis. In most cases, the Council received a lease premium upon inception such that the gross investment in the lease has been settled in full. The minimum lease payments are negligible.

Operating Leases

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

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

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

31 March 2013 £'000	Operating Leases (Lessor)	31 March 2014 £'000
702	Not later than one year	989
2,488	Later than one year and not later than five years	3,285
2,932	Later than five years	3,753
6,122	**Total**	**8,027**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

30. Private Finance Initiative and Similar Contracts

Such arrangements typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time, in return for a series of payments over the period of the arrangement.

A contract is determined to meet the definition of a service concession arrangement where the following two tests are met:

(a) The local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price;

(b) The local authority controls any significant residual interest in the property at the end of the term of the arrangement (typically through ownership or beneficial entitlement).

If the property is used for its entire life, and there is little or no residual interest, the arrangement falls within this scope where the first condition is met. Where the above tests are met, property used shall be recognised as an asset or assets of the local authority. Assets shall be recognised and accounted for in accordance with the Code. This is balanced by the recognition of a finance lease liability measured at the value of the related asset, and subsequently calculated using the actuarial method prescribed for finance leases.

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

(i) Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,

(ii) Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement,

(iii) Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement,

(iv) Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, and

(v) Lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

The Council has identified six schemes to be accounted for as service concession arrangements.

1. Housing PFI 1; a 30 year agreement covering 2,348 dwellings, whereby the operator is required to achieve and subsequently maintain decent homes standard for the duration of the agreement,
2. Housing PFI 2; a 16 year agreement covering 4,124 dwellings, with similar conditions as above,
3. Street Lighting; an agreement for the design, build, maintenance and financing of new, refurbished and existing public lighting, associated equipment and apparatus over 25 years,
4. BSF Phase I; design, build and facilities management of two schools over a 25 year term, and
5. Care Homes; 30 year agreement for the design, build, maintenance, operation and financing of residential care homes.
6. BSF Phase 2; design, build and facilities management of two schools over a 25 year term

Details of the current schemes are as follows:

Service Concession Arrangements	Start Date	End Date	Total Value £ million
Street Lighting	June 2003	June 2028	48
Housing (1)	March 2003	March 2033	247
Housing (2)	Sept 2006	Sept 2022	380
Care Homes	April 2003	March 2030	133
Schools (1)	July 2008	Jan 2040	123
Schools (2)	August 2012	March 2038	102

The following has been recognised in the balance sheet in respect of PFI (or similar) arrangements:

	Council Dwellings £ '000	Other Land and Buildings[1] £ '000	Infra-structure £ '000	Total £ '000
Net Book Value at 1 April 2012	**108,919**	**26,583**	**12,271**	**147,773**
Additions	178	28,510	-	**28,688**
Depreciation & Impairment	(2,324)	(854)	(534)	**(3,712)**
Revaluation	14,442	(1,900)	-	**12,542**
Disposal	(168)	-	-	**(168)**
Other				**-**
Net Book Value at 31 March 2013	**121,047**	**52,339**	**11,737**	**185,123**
Net Book Value at 1 April 2013	**121,047**	**52,339**	**11,737**	**185,123**
Additions	432	80		**512**
Depreciation & Impairment	(2,777)	(2,609)	(510)	**(5,896)**
Revaluation	40,878			**40,878**
Disposal	(559)			**(559)**
Other				**-**
Net Book Value at 31 March 2014	**159,021**	**49,810**	**11,227**	**220,058**

[1] Value includes equipment associated with Care Homes arrangement

Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2012	**(94,036)**	**(50,701)**	**(10,704)**	**(155,441)**
New liability incurred	-	(29,961)	-	**(29,961)**
Repayments made in year	6,522	1,145	350	**8,017**
Value at 31 March 2013	**(87,514)**	**(79,517)**	**(10,354)**	**(177,385)**
Value at 1 April 2013	**(87,514)**	**(79,517)**	**(10,354)**	**(177,385)**
New liability incurred	-	-	-	**0**
Repayments made in year	5,365	1,592	367	**7,324**
Value at 31 March 2014	**(82,149)**	**(77,925)**	**(9,987)**	**(170,061)**

The projected payments under the agreements are as follows:

Contracted payments due within:	1 year £ '000	2-5 years £ '000	5-10 years £ '000	10-15 years £ '000	15-20 years £ '000	Over 20 years £ '000
Care Homes						
Liability	208	589	1,774	2,251	1,475	
Interest	566	2,074	2,095	1,185	72	
Service Charges	3,694	15,724	21,969	24,856	10,834	
Street Lighting						
Liability	398	1,899	3,519	4,170		
Interest	954	3,412	3,066	1,063		
Service Charges	1,232	5,343	7,433	6,965		
Housing (1)						
Liability	566	3,103	3,533	4,338	11,197	
Interest	2,930	10,777	11,330	9,282	3,953	
Service Charges	7,429	33,100	54,370	69,049	55,005	
Housing (2)						
Liability	5,009	25,549	28,855			
Interest	7,773	24,016	7,567			
Service Charges	17,555	80,891	62,302			
BSF Phase 1						
Liability	1,171	5,643	8,539	11,512	14,222	1,390
Interest	2,660	9,828	10,171	7,113	3,242	87
Service Charges	1,495	6,172	9,569	10,999	14,679	1,282
BSF Phase 2						
Liability	472	2,169	3,757	5,658	8,328	8,769
Interest	2,741	10,502	11,783	9,731	6,549	2,088
Service Charges	902	4,039	6,033	7,026	8,801	7,878

31. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2012/13 £'000	Capital Expenditure and Sources of Capital Financing	2013/14 £'000
710,736	**Opening Capital Financing Requirement**	**745,418**
	Capital Investment	
108,344	Property, Plant & Equipment	73,726
20,066	Intangibles / REFCUS / Other	9,604
	Sources of Finance	
293	Usable Capital Receipts	(10,211)
(21,665)	Capital Grants	(12,630)
(32,948)	Major Repairs Reserve	(32,903)
-	Other Contributions	-
(28,596)	Capital Expenditure charged in-year to Revenue Accounts	(19,419)
	Debt Repayment	
(4,114)	Statutory provision for the repayment of debt	(7,058)
-	Repayment Housing Debt	-
(6,698)	Repayment of PFI / Lease liabilities	(8,454)
745,418	**Closing Capital Financing Requirement**	**738,073**
	Explanation of Movements in Year	
(5,976)	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	7,568
(28,476)	Increase in Obligation arising from PFI contracts	-
(231)	Assets acquired under finance leases	(223)
-	Debt repayment	-
(34,683)	**(Increase)/ decrease in Capital Financing Requirement**	**7,345**

32. Financial Instruments

Financial Instruments - Classifications

The definition of a financial instrument is: ‘Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity’.

The term ‘financial instrument’ covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council’s borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council’s loan portfolio at year end consisted of Public Works Loan Board (PWLB) loans, Stock Issue and temporary borrowing from local and police authorities. Under the 2013/14 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council’s portfolio of investments consists of fixed term deposits and money market funds. Term deposits are classed as ‘Loans and Receivables’ and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified as Loans and Receivables. As these are considered immaterial they have been measured at cost on the Balance Sheet. Money Market Funds are classified as Available for Sale.

Balances in money market funds and term deposits (overnight) at 31st March 2014 are shown under ‘cash and cash equivalents’ in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the Council’s portfolio of investments disclosed below.

The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2013/14.

No financial assets have been reclassified between the headings of amortised cost and fair value.

Financial Instruments - Balances

The Financial Assets & Financial Liabilities disclosed in the Balance Sheet are made up of the following categories of financial instrument:

Categories of Financial Instruments	Long-term 31 March 2013 £'000	Long-term 31 March 2014 £'000	Current 31 March 2013 £'000	Current 31 March 2014 £'000
Investments				
Loans and receivables	373	691	-	-
*- short term investments**	-	-	5,024	5,032
- cash equivalents	-	-	5,000	17,100
Available for sale financial instruments	-	-	-	-
Unquoted equity investments at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	373	691	10,024	22,132
Debtors				
Loans and receivables	272	17	-	-
Financial assets carried at contract amounts	-	-	16,110	16,083
Total Debtors	272	17	16,110	16,083
Borrowings				
Financial liabilities at amortised cost**	260,800	255,365	-	-
- cash and bank overdrawn	-	-	15,883	24,898
*- short term borrowing****	-	-	79,726	45,900
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	260,800	255,365	95,609	70,798
Other Long Term Liabilities				
PFI and finance lease liabilities	171,883	163,087	7,562	8,060
Other	-	17	-	-
Total other long term liabilities	171,883	163,104	7,562	8,060
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	29,673	21,192
Total creditors	0	0	29,673	21,192

*Although short term investments at 31st March 2014 amount to £5m, the Council is committed to incur additional investments of £30m by 22nd April 2014

**Although long term borrowing at 31st March 2014 amount to £255m, the Council is committed to incur additional borrowing of £20m by 27th August 2014

***Although short term borrowing at 31st March 2014 amount to £46m, the Council is committed to incur additional borrowing of £5m on 21st July 2014

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under ‘current liabilities’ or ‘current investments’. This would include accrued interest on long term liabilities and investments that is payable/receivable in 2014/15.

Soft Loan

Where loans are advanced at below market rates they are classed as ‘Soft Loans’. The 2013/14 Code of Practice sets out specific accounting requirements for soft loans. Season ticket loans amounting to £300k and

Home computer scheme loans amounting to £493k are carried at nominal value in the Balance Sheet as they are due within 10 months and 2 years respectively thus the effect on the accounts is deemed to be immaterial.

Items of Income, Expense, Gains or Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

Income, Expense, Gains and Losses 2013/14	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans & Receivables	Available-for-sale assets	Fair Value through P&L	
	£'000	£'000	£'000	£'000	£'000
Interest expense	(34,533)	-	-	-	(34,533)
Losses on derecognition	-	-	-	-	0
Reductions in fair value	-	-	-	-	0
Impairment losses	-	-	-	-	0
Fee expense	-	-	-	-	0
Total expense in Surplus or Deficit on the Provision of Services	**(34,533)**	**0**	**0**	**0**	**(34,533)**
Interest income	-	195	-	-	195
Interest income accrued on impaired financial assets	-	-	-	-	0
Increases in fair value	-	-	-	-	0
Gains on derecognition	-	-	-	-	0
Fee income	-	-	5	-	5
Total income in Surplus or Deficit on the Provision of Services	**0**	**195**	**5**	**0**	**200**
Gains on revaluation	-	-	-	-	0
Losses on revaluation	-	-	-	-	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	0
Account after impairment	-	-	-	-	0
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(34,533)**	**195**	**5**	**0**	**(34,333)**

Income, Expense, Gains and Losses 2012/13	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans & Receivables	Available-for-sale assets	Fair Value through P&L	
	£'000	£'000	£'000	£'000	£'000
Interest expense	(35,598)	-	-	-	(35,598)
Losses on derecognition	-	-	-	-	0
Reductions in fair value	-	-	-	-	0
Impairment losses	-	-	-	-	0
Fee expense	-	-	-	-	0
Total expense in Surplus or Deficit on the Provision of Services	**(35,598)**	**0**	**0**	**0**	**(35,598)**
Interest income	-	326	-	-	326
Interest income accrued on impaired financial assets	-	-	-	-	0
Increases in fair value	-	-	-	-	0
Gains on derecognition	-	-	-	-	0
Fee income	-	-	-	-	0
Total income in Surplus or Deficit on the Provision of Services	**0**	**326**	**0**	**0**	**326**
Gains on revaluation	-	-	-	-	0
Losses on revaluation	-	-	-	-	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	0
Account after impairment	-	-	-	-	0
Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**0**	**0**	**0**	**0**	**0**
Net gain/(loss) for the year	**(35,598)**	**326**	**0**	**0**	**(35,272)**

Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31st March 2014 of 0.34% to 3.41% for loans from the PWLB and 0.75% to 7.38% for other loans receivable and payable, based on premature redemption rates for equivalent loans at that date.
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair value comparison of financial assets and liabilities	31 March 2013 Carrying amount £'000	31 March 2013 Fair value £'000	31 March 2014 Carrying amount £'000	31 March 2014 Fair value £'000
Financial Liabilities				
Short Term Borrowing	95,609	-	71,047	-
Long Term Borrowing	260,800	-	255,365	-
Total Borrowing	**356,409**	**430,409**	**326,412**	**375,374**
Creditors	29,673	29,673	21,192	21,192
Total Financial Liabilities	**386,082**	**460,082**	**347,604**	**396,566**
Financial Assets				
Long term investments	373	566	691	1,075
Short Term Investments	10,024	10,024	22,132	22,132
Debtors	16,382	16,338	16,100	16,100
Total Financial Assets	**26,779**	**26,928**	**38,923**	**39,307**

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. PFI and finance lease liabilities are also carried in the Balance Sheet at their fair value.

Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Financial Assets

The fair value for long term investments at the Balance Sheet date is higher than the carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

33. Nature and Extent of Risks Arising from Financial Instruments

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.
- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.

- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A limit of £50m is placed on the amount of money that can be invested with a single counterparty. The Council also sets a total group investment limit for institutions that are part of the same banking group. No more than £100m in total can be invested for a period longer than one year. The Council has no historical experience of counterparty default.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2013/14 approved by Full Council on 28/02/2013. The 2013/14 Treasury Strategy can be found via the following web link:

http://democracy.islington.gov.uk/Data/Audit%20Committee%20and%20Audit%20Committee%20(Advisory)/201301291930/Agenda/Annual%20Treasury%20Management%20and%20Investment%20Strategy.pdf

As conditions in the financial sector had begun to show signs of improvement, albeit with substantial intervention by government authorities, the Council decided it would be appropriate to diversify the counterparty list in 2010/11, through the inclusion of comparable non-UK banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Denmark, Germany, Netherlands, Switzerland and the US. These countries, and the banks within them, were selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+, minimum short team F1)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- Share Price

Throughout 2013/14 the minimum criteria using Fitch rating for new investments has been a long term rating of A+ and a short term rating of F1.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2014, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Credit Risk (Counterparties)	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2014	Balance Invested as at 31 March 2014 Up to 1 month	Greater than 1 month and up to 3 months	Greater than 3 months and up to 6 months	Greater than 6 months and up to 9 months	Greater than 12 months and up to 24 months	Total
Counterparty	YES / NO	YES / NO	£'000	£'000	£'000	£'000	£'000	£'000
Banks-UK			-	-	-	-	-	**0**
Banks-Non-UK (split by country exposure)			-	-	-	-	-	**0**
Total Banks								**0**
Building Societies - UK			-	-	-	-	-	**0**
Money Market Funds			-	-	-	-	-	**0**
Police Commission	YES	YES	-	-	5,000	-	-	**5,000**
HM Treasury	YES	YES	17,100	-	-	-	-	**17,100**
Total			**17,100**	**0**	**5,000**	**0**	**0**	**22,100**

The above analysis shows that all deposits outstanding as at 31st March 2014 met the Council's credit rating criteria on the 31st March 2014.

<u>Trade Receivables</u>

The following analysis summarises the Council's potential maximum exposure credit risk, based on the experience gathered over the last five financial years on the level of default on debtors, adjusted for current market conditions.

Credit Risk (Debtors)	Gross Debtors	Average % Default based on Previous Experience 5 years to 2013/14	Average % Default based on Previous Experience for 2012/13	Average % Default based on Previous Experience for 2013/14	Bad Debt Provision for 2013/14
Sundry Debtors	6,907	0.23%	0.10%	0.08%	680

The authority does not generally allow credit for customers, such that £1.7m of the £6.6m balance is past 30 days from invoice date. The remaining £4.9m is deemed collectable and not impaired. Debtor balances which are likely to be impaired are provided for through the bad debt provision. The past due amount can be analysed by age as follows:

Trade Receivables	31 March 2013 *£'000*	31 March 2014 *£'000*
Less than three months	8,665	6,074
Three to six months	263	119
Six months to one year	206	134
More than one year	336	309
Total	9,470	6,636

<u>Liquidity Risk</u>

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments.

The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than 25% of loans are due to mature within any rolling three-year period through a period of careful planning of new loans taken out and making early repayments.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31st March 2014 was as follows:

Liquidity Risk	PWLB		Loan Stock		Other		Total	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	27,234	31,935	-	-	48,000	10,000	75,234	41,935
Between one and two years	31,935	6,478	-	-	-	-	31,935	6,478
Between two and five years	10,435	5,070	3,596	3,596	-	-	14,031	8,666
Between five and ten years	15,227	22,177	-	-	-	-	15,227	22,177
Between ten and twenty years	70,959	71,999	-	-	-	-	70,959	71,999
More than twenty years	128,648	119,545	-	-	-	-	128,648	119,545
Total	**284,438**	**257,204**	**3,596**	**3,596**	**48,000**	**10,000**	**336,034**	**270,800**
Accrued Interest *							4,492	3,965
Trade creditors *							29,673	21,192
Cash Overdrawn *							15,883	24,898
Total Carrying Amount							**386,082**	**320,855**

* The above three items fall due within 12 months of the balance sheet date

All trades and other payables are due to be paid in less than one year

Market Risk

Interest Rate Risk

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £150m on external debt that can be subject to variable interest rates. At 31st March 2014, the debt portfolio was held in fixed rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

Price Risk

The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).

Foreign Exchange Risk: The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

Price Risk	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	(171)
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	(171)
Share of overall impact debited/credited to HRA	(257)
Decrease in fair value of fixed rate investments	97
Impact on Other Comprehensive Income and Expenditure	(171)
Decrease in fair value of fixed rate borrowings/liabilities*	35,955

*No impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

34. Short Term Creditors

31 March 2013 *£'000*	Short Term Creditors	31 March 2014 *£'000*
21,103	Central Government Bodies	15,688
2,610	Other Local Authorities	5,124
524	NHS Bodies	4,364
1,176	Public corporations and trading funds	1,629
57,313	Other Entities and Individuals	57,752
82,726	**Total Creditors**	**84,557**

35. Short Term Debtors

31 March 2013 £'000	31 March 2013 £'000	Short Term Debtors	31 March 2014 £'000	31 March 2014 £'000
	12,479	Central Government Bodies	14,331	
	(8)	Less Impairment for Doubtful Debts	(7)	
12,471		**Central Government Bodies**		**14,324**
	5,468	Local Authorities	2,905	
	(98)	Less Impairment for Doubtful Debts	(77)	
5,370		**Local Authorities**		**2,828**
	3,119	NHS Bodies	3,335	
	(267)	Less Impairment for Doubtful Debts	(81)	
2,852		**NHS Bodies**		**3,254**
	854	Public Corporations and Trading Funds	1,161	
	(13)	Less Impairment for Doubtful Debts	(8)	
841		**Other Public Sector**		**1,153**
	70,486	Other entities and individuals	76,601	
	(39,471)	Less Impairment for Doubtful Debts	(43,818)	
31,015		**Other entities and Individuals**		**32,783**
52,549		**Total Debtors**		**54,342**

36. Inventories

Inventories are included in the Balance Sheet at the lower of cost and current replacement cost.

31 March 2013 £'000	Inventories & Long term Contracts	31 March 2014 £'000
	Consumable Stores	
488	**Balance outstanding at start of year**	**633**
325	Purchases	229
(180)	Recognised as an expense in year	(147)
-	Written off balances	-
-	Reversal of write-offs in previous years	-
633	**Balance outstanding at year-end**	**716**
-	Maintenance Materials	-
-	Client Service Work in Progress	-
-	Property Acquired or Constructed for Sale	-
633	**Total**	**716**

37. Provisions

Provisions 2013/14	Insurance £'000	Business Rate Appeals* £'000	Social Services Charges £'000	Disrepair claims £'000	Other minor £'000	Total £'000
Balance at 1 April 2013	**12,487**	**0**	**1,753**	**341**	**872**	**15,453**
Additional provisions made in 2013/14	2,019	2,260	75	288	997	**5,639**
Amounts used in 2013/14	(3,076)		(44)	(205)	(421)	**(3,746)**
Unused amounts reversed in 2013/14	-		-	-	(230)	**(230)**
Unwinding of discounting in 2013/14	-		-	-	-	-
Balance at 31 March 2014	**11,430**	**2,260**	**1,784**	**424**	**1,218**	**17,116**
Analysis of Balance at 31 March 2014						
Settled within 12 months	3,075	1,447	1,784	424	1,218	**7,948**
More than 12 months	8,355	813	-	-	-	**9,168**

Provisions 2012/13	Insurance £'000	Business Rate Appeals	Social Services Charges £'000	Disrepair claims £'000	Other minor £'000	Total £'000
Balance at 1 April 2012	**13,319**	**0**	**984**	**0**	**1,207**	**15,510**
Additional provisions made in 2012/13	2,199	-	965	341	-	**3,505**
Amounts used in 2012/13	(3,031)	-	(196)	-	(335)	**(3,562)**
Unused amounts reversed in 2012/13	-	-	-	-	-	**-**
Unwinding of discounting in 2012/13	-	-	-	-	-	-
Balance at 31 March 2013	**12,487**	**0**	**1,753**	**341**	**872**	**15,453**
Analysis of Balance at 31 March 2013						
Settled within 12 months	3,436	-	1,753	341	872	**6,402**
More than 12 months	9,051	-	-	-	-	**9,051**

Legal claims outstanding (Social Services Charges)

The Council is required to make repayment of charges made for care services provided under Section 117 of the Mental Health Act 1983, where, following a 2002 House of Lords Judgement, services were subsequently adjudged to be free. This provision represents the balance of charges not yet repaid. Repayment will be made when claimed.

Business Rate Appeals

The Council is required to make a provision for appeals against property valuations by business rate payers. The outcome of these appeals is determined by the Valuations Office and is out of the control of the Council.

Insurance Provision:

The Council self-funds many of its insurable risks. The provision covers the following risks:

- Errors and Omissions, Libel and Slander, Motor (Third Party), Employers' Liability, Public Liability, Fire and other property risks – up to a limit of £1,000,000 for any one claim.

External policies cover claims in excess of these limits. In 2013/14, £0.85m was paid in external premiums (£0.83m in 2012/13) for this cover.

Each year, the Council takes actuarial advice on the value of insurance claims which will be paid from the self – funding arrangements. There are three categories of claims making up the total exposure.

The following table summarises these with explanatory notes below.

Insurance Fund	*£'000*
Estimated claims incurred but not yet paid since 1992/93 (1)	8,800
Claims settled prior to 1992/93 (2)	1,700
Provision for claims incurred but yet to be settled prior to 1992/93 (3)	200
Provision for claims yet to be received for events prior to 1992/93 (4)	1,300
Total Insurance exposure at 31 March 2014	**12,000**

1) These are claims which have been submitted against the Council since 1992/93 and are open i.e. not yet paid. They are claims which fall within the excess limits listed in the first paragraph above. The figure of £8.8 million is the total of the individual estimates of the cost of claims which will be paid from the insurance provision when they are settled.

2) In 1992/93, the Council's insurer, Municipal Mutual Insurance, ceased taking new business and has since been managed under a "scheme of arrangement". Since the last statement, MMI has become insolvent and the scheme of arrangement has been "triggered". This means that the Council will have to repay a portion of previous settled claims and MMI will only contribute a reduced percentage towards future claims. Latest advice from the accountants that are administering the scheme is that the initial percentage claw-back will be 15%, however, actuarial advice is that the Council should hold provision for 75% as a reasonably prudent position, to allow for additional claw-backs in future years.

3) In addition, there are £0.3 million of incurred claims yet to be settled for pre- 1992/93 incidents. As in note 2, the Council is holding a provision of 75% of this amount, £0.2million, in the fund.

4) Again as in note 2, with the triggering of the MMI insolvency scheme, the Council will be left substantially uninsured for the years prior to 1992/93. There are types of claims that the Council could be exposed to that can date back to the 1950s and 1960s and whilst these are as yet unknown, when they occur they are complex and high in value. Actuarial advice is that whilst there are very large uncertainties involved, in approximate terms the exposure could amount to £1.75m over the next 10 to 20 years. Again, the Council on actuarial advice has provided for 75% of these potential claims.

The closing balance of the insurance claims provision at 31st March 2014 is £11.4m, plus £0.6m held in imprest account with insurers. Actuarial advice is that the fund is in a broadly neutral position.

<u>Insurance London Consortium</u>

The Council is a member of a consortium arrangement to purchase insurance cover along with eight other London boroughs. A new contract has been placed for the period until 31st March 2019, to cover the risks of Property and Liability.

38. Transfers to/from 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 2013/14.

Transfers to/from Earmarked Reserves	Balance at 1 April 2013 £'000	Transfers Out 2013/14 £'000	Transfers In 2013/14 £'000	Balance at 31 March 2014 £'000
General Fund				
Invest to Save	(11,219)	3,191	(1,000)	(9,028)
PFI - ICSL Joint Venture	(977)	977	-	-
PFI - Street Lighting	(3,264)	3,264	-	-
Services Specific (Corporate)	(10,141)	6,431	(6,198)	(9,908)
Capital Reserve	(22,139)	19,064	(30,921)	(33,996)
Cemetery Trading Account	(38)	38	-	-
Building Schools for the Future	(468)	156	-	(312)
Levies Reserve	(1,543)	699	-	(844)
Housing Benefit Reserve	(6,374)	1,225	(3,269)	(8,418)
Equal Pay Reserve	(313)	313	-	-
BSF PFI 1 Reserve	1,606	1,276	(600)	2,282
Redundancy Reserve	(3,141)	2,633	(3,496)	(4,004)
Contingency Reserve	(2,000)	2,000	-	-
Total	**(60,011)**	**41,267**	**(45,484)**	**(64,228)**
Street Market Reserves	(51)	-	(43)	(94)
Grand Total	**(60,062)**	**41,267**	**(45,527)**	**(64,322)**
HRA				
PFI - Housing PFI I	(5,449)	-	(61)	**(5,510)**
Revaluations Smoothing Reserve	(3,128)	-	(149)	**(3,277)**

Invest to Save: earmarked to fund pump-priming investment that will generate ongoing revenue savings.

PFI Smoothing Reserves (ICSL, Street Lighting, BSF): the Government provided support for PFI schemes via up-front PFI credits. It is the Council's policy to appropriate the PFI credits to an earmarked PFI smoothing reserve and draw down to support the PFI contract for a particular year as per the relevant smoothing model.

Services Specific: earmarked to fund continuation of specific revenue projects that span more than one financial year.

Capital: earmarked as part of the funding of the approved capital programme and related property projects.

Cemetery: the Council has a contract with the London Borough of Camden for the supply of a cemetery management and burial service. The contract stipulates that any loss is to be shared and any surplus shall be carried forward for future investment, the mechanism for doing so being through this earmarked reserve.

Building Schools for the Future (BSF): earmarked to fund BSF programme management costs.

Levies: earmarked to help smooth expected increases in levies in future years.

Housing Benefit: earmarked to fund the significant transitional costs of implementing the Universal Credit and other related Government reforms.

Equal Pay: earmarked to cover potential tax liabilities relating to backdated 'Single Status' pay.

Redundancy: earmarked to cover the one-off redundancy costs of delivering savings required over the medium term.

Contingency: earmarked to cover contingency pressures over the medium-term in light of reduced ongoing contingency budget.

Street Markets: The Council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, income from fees and charges can only be applied to expenditure on the maintenance of the markets. Any surplus or deficit on the trading account in any given year is transferred to / from this reserve.

HRA Revaluation Smoothing: To mitigate the impact on HRA resources of fluctuations in the valuation of HRA assets.

39. Usable Reserves

31 Mar 2013 *£'000*	Usable Reserves	31 Mar 2014 *£'000*
28,558	General Fund	24,286
60,062	Earmarked Reserves - General Fund	64,322
8,577	Earmarked Reserves - HRA	8,787
12,790	Housing Revenue Account	14,077
12,549	Capital Receipts Reserve	32,776
38,579	Major Repairs Reserve	53,956
6,267	Capital Grants Unapplied	7,152
167,382	**Total Usable Reserves**	**205,356**

Movements in the Council's usable reserves are detailed in the Movements in Reserves Statement and note 17. Earmarked reserves movements are detailed above in note 38.

40. Unusable Reserves

31 March 2013 *£'000*	Unusable Reserves	31 March 2014 *£'000*
129,638	Revaluation Reserve	265,512
1,849,461	Capital Adjustment Account	2,227,268
322	Financial Instruments Adjustment Account	206
-	Deferred Capital Receipts Reserve	-
(551,542)	Pensions Reserve	(460,677)
14	Collection Fund Adjustment Account	437
-	Unequal Pay Back Pay Account	-
(5,348)	Accumulated Absences Account	(5,525)
1,422,545	**Total Unusable Reserves**	**2,027,221**

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

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

2012/13 £'000	Store of unrealised gains on revaluation of non current assets - Revaluation Reserve	2013/14 £'000
(135,646)	**Balance as at 1 April**	**(129,638)**
(11,857)	Gains on Revaluations	(143,616)
1,414	Less Depreciation on Revalued Amounts	1,454
16,397	Less Impairments written off to previous gains	5,610
54	Less gains written out for disposed assets	678
-	Adjustments to Capital Adjustment Account	-
(129,638)	**Balance as at 31 March**	**(265,512)**

b) Capital Adjustment Account:

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements or accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluations Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 17 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 £'000	Capital Adjustment Account	2013/14 £'000
(1,756,705)	**Balance brought forward**	**(1,849,461)**
293	Capital Expenditure Financed from Usable Capital Receipts	(10,211)
(32,948)	Capital Expenditure Financed from the Major Repairs Reserve	(32,903)
(28,596)	Capital Expenditure Financed from Revenue Resources	(19,419)
(16,429)	Capital Expenditure funded by Grant	(11,047)
(8)	Donated Assets	-
14,830	REFCUS funded by Capital Receipts	8,021
1,253	Amortisation of General Fund Intangible Assets	983
(87,214)	Impairment of Assets	(350,098)
20,900	Depreciation of PPE non-current Assets	22,252
-	Gain or Loss on Held for Sale Asset Reclassification/valuation	-
15,226	Transfer from Major Repairs Reserve Equivalent to HRA Depreciation	17,343
(4,114)	Minimum Revenue Provision	(7,058)
(6,697)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(8,454)
-	Repayment of Housing related Debt (HRA Self Financing Transition)	-
(54)	Write out of Gains relating to Revalued Disposed Assets	(678)
33,175	Current Value of Disposed Assets	15,525
(1,414)	Write out of depreciation on revalued amounts	(1,454)
1	Gains and losses on Fair Value of Investment Properties	(609)
-	Recognition of Lease Liability	-
(960)	Balance transferred from HFI	-
(92,756)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(377,807)**
(1,849,461)	**Balance as at 31 March**	**(2,227,268)**

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions.

The Authority 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 to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

31 March 2013 £'000	Financial Instruments Adjustment Account	31 March 2014 £'000
438	**Balance at 1 April**	**322**
-	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(116)	Proportion of premiums and discounts incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	(116)
322		**206**
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-
322	**Balance at 31 March**	**206**

The £0.206m balance (discounts) relates to loans which were repaid in 2006/07 and subsequently derecognised and transferred to FIAA. The statutory provisions allow the balance to be amortised through the Movement in Reserves Statement (MIRS) / Movement on Housing Revenue Account Statement (MHRAS). In 2013/14, £0.1m has been amortised through the MIRS/MHRAS.

d) Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority 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.

31 March 2013 £'000	Deferred Capital Receipts Reserve	31 March 2014 £'000
2,790	**Balance brought forward**	**0**
-	Transfer of deferred sale proceeds credited as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(2,790)	Transfer to the Capital Receipts Reserve	-
0	**Balance carried forward**	**0**

e) Pensions Reserve

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

31 March 2013 £'000	Pensions Reserve	31 March 2014 £'000
(419,068)	**Balance at 1 April**	**(551,542)**
(84,106)	Actuarial gains or losses on pensions assets and liabilities	121,553
(46,349)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(51,356)
(30,478)	Business combinations	(9,642)
28,459	Employer's pensions contributions and direct payments to pensioners payable in the year	30,310
(551,542)	**Balance at 31 March**	**(460,677)**

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and non-domestic rates payers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2012/13 £'000	Collection Fund Adjustment Account	2013/14 £'000
8	**Balance at 1 April**	14
6	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	423
14	**Balance at 31 March**	437

g) Accumulated Absences Account

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

2012/13 £'000	2012/13 £'000	Accumulated Absences Account	2013/14 £'000	2013/14 £'000
	4,823	**Balance at 1 April**		**5,348**
	453	Business combinations		-
(5,067)		Settlement or cancellation of accrual made at the end of the preceding year	(5,348)	
5,139		Amounts accrued at the end of the current year	5,525	
	72	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		177
	5,348	**Balance at 31 March**		**5,525**

41. Cash and Cash Equivalents

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

2012/13 £'000	Cash and Cash Equivalents	2013/14 £'000
(15,883)	*Cash and Bank Overdrawn*	(24,898)
	Cash and Cash Equivalents	
5,000	Liquid investments	17,100
50	Cash held by the Authority	63
279	Bank Accounts	341
(10,554)	**Total Cash and Cash Equivalents**	**(7,394)**

Further information regarding liquid investments is included in note 32.

42. Cash Flow Statement – Operating Activities

Breakdown of adjustments to the net surplus/(deficit) on the provision services.

2012/13 £'000	Operating Activities Adjustments	2013/14 £'000
103,797	**Net Surplus or (Deficit) on the Provision of Services**	**392,733**
	Adjust net surplus or deficit on the provision of services for non cash movements	
36,034	Depreciation & impairment	39,596
(87,214)	Impairment and downward valuations	(350,098)
1,345	Amortisation	983
-	Losses or Gains on derecognition of loans & advances in year charged or credited to surplus or deficit on the provision of services	250
115	Soft Loans - Interest adjustment credited to I+E Account during year	-
(477)	Increase/Decrease in Interest Creditors	(527)
(2,278)	Increase/Decrease in Creditors	10,801
40	Increase/Decrease in Interest and Dividend Debtors	1
4,029	Increase/Decrease in Debtors	(1,756)
(145)	Increase/Decrease in Inventories	(83)
17,889	Pension Liability	21,047
(899)	Contributions to/(from) Provisions	1,663
33,121	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	15,525
(2,312)	Movement in Investment Property Values	(609)
(752)	**Total**	**(263,207)**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(20,880)	Capital Grants credited to surplus or deficit on the provision of services	(14,543)
31,819	Proceeds from the sale of short and long term investments	-
(11,724)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(33,905)
(785)	**Total**	**(48,448)**
94,751	**Net Cash Flows from Operating Activities**	**81,078**

The cash flows for operating activities include the following items:

2012/13 £'000	Operating Activities (Interest)	2013/14 £'000
306	Interest Received	204
39,162	Interest Paid	37,916
-	Dividends received	-

43. Cash Flow Statement – Investing Activities

2012/13 £'000	Investing Activities	2013/14 £'000
(83,112)	Purchase of property, plant and equipment, investment property and intangible assets	(77,029)
(5,000)	Purchase of short-term and long-term investments	(5,324)
-	Other payments for investing activities	(2,100)
16,025	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	33,836
-	Proceeds from short-term and long term investments	5,000
20,654	Other receipts from investing activities	16,761
(51,433)	**Net cash flows from investing activities**	**(28,857)**

44. Cash Flow Statement – Financing Activities

2012/13 £'000	Financing Activities	2013/14 £'000
48,000	Cash receipts of short- and long-term borrowing	10,000
(17,383)	Other receipts/ (payments) from financing activities	-
(6,668)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,500)
(70,860)	Repayments of short- and long- term borrowing	(48,734)
	Council Tax and NDR adjustments	(2,250)
(6)	Appropriation to/from Collection Fund Adjustment Account	423
(46,917)	**Net cash flows from financing activities**	**(49,061)**

45. Amounts Reported for Resource Allocation (Segmental Reporting)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice for Local Authorities. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across service departments. These reports are prepared on a similar basis to the accounting policies used in the financial statements. It must be noted that the majority of charges made in relation to capital expenditure (such as depreciation and impairment losses), adjustments to the cost of retirement benefits to reflect current service cost of benefits rather than cash flows, and central recharge reallocations are only reported in the final outturn report of the year.

On 1st April 2013, the Corporate Resources directorate was re-organised between the Chief Executive directorate and the Finance & Resources directorate, and the Council acquired a new Public Health directorate. This new structure is reflected in the tables below, with 2012/13 restated on a comparative basis.

The income and expenditure of the Council's principal service departments recorded in the outturn report for the year is as follows:

Departmental Income and Expenditure 2013/14	Children's Services £'000	Environment & Regeneration £'000	Adults & Housing £'000	Public Health £'000	Chief Executive £'000	Finance & Resources £'000	Central Items £'000	Housing Revenue Account Services £'000	Subtotal Net Expenditure £'000
Fees, Charges & Other Service Income	(14,003)	(42,367)	(39,970)	(2,054)	(3,910)	(7,831)	(129,138)	(198,027)	(437,300)
Government Grants	(179,331)	(3,195)	(7,965)	(24,350)	(1,648)	(205,708)	(159,854)	(23,902)	(605,953)
Total Income	**(193,334)**	**(45,562)**	**(47,935)**	**(26,404)**	**(5,558)**	**(213,539)**	**(288,992)**	**(221,929)**	**(1,043,253)**
Employee expenses	162,800	45,786	31,004	3,363	15,930	36,250	(3,165)	26,938	318,906
Other Services Expenses	67,058	21,215	80,971	21,591	(7,177)	159,051	28,866	173,465	545,040
Support Service Recharges	64,166	29,402	27,921	2,526	5,532	11,259	21,249	20,235	182,290
Total Operating Expenses	**294,024**	**96,403**	**139,896**	**27,480**	**14,285**	**206,560**	**46,950**	**220,638**	**1,046,236**
Net Expenditure	**100,690**	**50,841**	**91,961**	**1,076**	**8,727**	**(6,979)**	**(242,042)**	**(1,291)**	**2,983**

Departmental Income and Expenditure 2012/13	Children's Services £'000	Environment & Regeneration £'000	Adults & Housing £'000	Public Health £'000	Chief Executive £'000	Finance & Resources £'000	Central Items £'000	Housing Revenue Account Services £'000	Subtotal Net Expenditure £'000
Fees, Charges & Other Service Income	(47,221)	(61,985)	(55,745)	-	(19,641)	(73,705)	(94,954)	(175,442)	(528,693)
Government Grants	(173,866)	(6,631)	(7,437)	-	(2,619)	(229,312)	(206,981)	(24,053)	(650,899)
Total Income	**(221,087)**	**(68,616)**	**(63,182)**	**0**	**(22,260)**	**(303,017)**	**(301,935)**	**(199,495)**	**(1,179,592)**
Employee expenses	151,367	31,314	30,395	-	15,156	33,314	14	27,416	288,976
Other Services Expenses	140,944	71,732	94,157	-	9,884	253,125	3,622	152,684	726,148
Support Service Recharges	46,082	24,324	29,702	-	6,633	10,979	21,756	18,556	158,032
Total Operating Expenses	**338,393**	**127,370**	**154,254**	**0**	**31,673**	**297,418**	**25,392**	**198,656**	**1,173,156**
Net Expenditure	**117,306**	**58,754**	**91,072**	**0**	**9,413**	**(5,599)**	**(276,543)**	**(839)**	**(6,436)**

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of departmental income and expenditure relate to the amounts include in the Comprehensive Income and Expenditure Statement

Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2012/13 *£'000*	2013/14 *£'000*
Net expenditure in the Departmental Analysis	(6,436)	2,983
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-	-
Total	**(6,436)**	**2,983**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	116,043	(164,549)
Cost of Services in Comprehensive Income and Expenditure Statement	**109,607**	**(161,566)**

Reconciliation to Subjective Analysis

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

Reconciliation to Subjective Analysis 2013/14	Departmental Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	**Cost of services £'000**	Corporate Amounts £'000	**Total £'000**
Fees, Charges & Other Service Income	(368,981)	-	-	62,656	-	**(306,325)**	(62,656)	**(368,981)**
Interest and Investment Income	(200)	-	-	200	-	**0**	(200)	**(200)**
Income from Council Tax	(68,119)	-	-	68,119	-	**0**	(68,119)	**(68,119)**
Government Grants and Contributions	(605,953)	-	-	160,872	-	**(445,081)**	(160,872)	**(605,953)**
Total Income	**(1,043,253)**	**0**	**0**	**291,847**	**0**	**(751,406)**	**(291,847)**	**(1,043,253)**
Employee Expenses	318,906	-	-	(41,672)	167,893	**445,127**	41,672	**486,799**
Other Services Expenses	803,007	-	-	(363,150)	140,164	**580,021**	(32,566)	**547,455**
Support Service Recharges	182,290	-	-	-	(308,057)	**(125,767)**	-	**(125,767)**
Depreciation, Amortisation and Impairment	(309,541)	-	-	-	-	**(309,541)**	-	**(309,541)**
Interest Payments	60,034	-	-	(60,034)	-	**0**	60,034	**60,034**
Precepts and Levies	6,840	-	-	(6,840)	-	**0**	6,840	**6,840**
Payments to Housing Capital Receipts Pool	3,079	-	-	(3,079)	-	**0**	3,079	**3,079**
Gain or Loss on Disposal of Fixed Assets	(18,379)	-	-	18,379	-	**0**	(18,379)	**(18,379)**
Total Operating Expenses	**1,046,236**	**0**	**0**	**(456,396)**	**0**	**589,840**	**60,680**	**650,520**
Surplus or Deficit on the Provision of Services	**2,983**	**0**	**0**	**(164,549)**	**0**	**(161,566)**	**(231,167)**	**(392,733)**

Reconciliation to Subjective Analysis 2012/13	Departmental Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Amounts not included in I&E £'000	Allocation of Recharges £'000	**Cost of services £'000**	Corporate Amounts £'000	**Total £'000**
Fees, Charges & Other Service Income	(399,825)	-	-	9,046	-	**(390,779)**	(9,301)	**(400,080)**
Interest and Investment Income	(42,515)	-	-	42,515	-	**0**	(42,191)	**(42,191)**
Income from Council Tax	(86,354)	-	-	86,354	-	**0**	(86,354)	**(86,354)**
Government Grants and Contributions	(650,899)	-	-	208,361	-	**(442,538)**	(208,361)	**(650,899)**
Total Income	**(1,179,593)**	**0**	**0**	**346,276**	**0**	**(833,317)**	**(346,207)**	**(1,179,524)**
Employee Expenses	288,978	-	-	(37,081)	85,748	**337,645**	38,557	**376,202**
Other Services Expenses	709,984	-	-	(126,339)	72,284	**655,929**	28,909	**684,838**
Support Service Recharges	158,032	-	-	-	(158,032)	**0**	-	**0**
Depreciation, Amortisation and Impairment	(50,650)	-	-	-	-	**(50,650)**	-	**(50,650)**
Interest Payments	35,598	-	-	(35,598)	-	**0**	41,631	**41,631**
Precepts and Levies	7,061	-	-	(7,061)	-	**0**	7,061	**7,061**
Payments to Housing Capital Receipts Pool	2,703	-	-	(2,703)	-	**0**	2,703	**2,703**
Gain or Loss on Disposal of Fixed Assets	21,451	-	-	(21,451)	-	**0**	21,451	**21,451**
Total Operating Expenses	**1,173,157**	**0**	**0**	**(230,233)**	**0**	**942,924**	**140,312**	**1,083,236**
Surplus or Deficit on the Provision of Services	**(6,436)**	**0**	**0**	**116,043**	**0**	**109,607**	**(205,895)**	**(96,288)**

46. Contingent Liabilities and Assets

Legal claims pending settlement

The Council is involved in approximately 8 outstanding employment tribunal cases relating mainly to claims of equal pay, unfair dismissal and/or sex, race or disability discrimination. A liability will arise if either the Council settles a case and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the applicant and the Council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £0.2m.

The Council has liability for costs in 2 major matters that concluded in 2013/14. The maximum liability the Council could face for these and other ongoing civil and disrepair claims is up to £1.2m.

Over the next few years, there are a number of leases expiring where there may be an obligation on the Council to make good any assessed dilapidations.

Termination Benefits

Due to the unprecedented cuts to the council's funding from central government, the council will have had to have delivered savings of more than £100m over the four year period to 2014-15 and it currently expects this trend to continue over the next four years. A significant number of posts have been cut from the Council workforce and the financial impact of these are set out in note 14. There will continue to be cuts to the Council workforce and given significant costs in terminating employment contracts going forward cannot be estimated with any great degree of accuracy as they will depend on a number of factors related to the individuals concerned, such as length of service, the council has created an earmarked reserve to meet such future costs. The balance of this reserve was £4.0m at 31st March 2014.

Contractual claims pending

None pending.

Guarantees given

None given

Contingent Assets

None known.

47. Events After the Balance Sheet Date

The Draft Statement of Accounts 2013/14 was authorised for issue on 30th June 2014 by Mike Curtis, Corporate Director of Finance. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

48. Defined Benefit Pension Schemes

Participation in Pensions Schemes

As part of the terms and conditions of employment of its employees, 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 and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme for non-teaching employees, administered by both this Council and the London Pensions Fund Authority (for those former employees of GLC/ILEA) – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. This includes discretionary benefits in relation to the Teachers' Pension Scheme.

Transactions Relating to Post-Employment Benefits

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

The following transactions have been made in the Comprehensive Income and Expenditure Statement or adjusted in the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements *	
	31 March 2013	31 March 2014	31 March 2013	31 March 2014
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	23,664	32,056	-	-
Past service costs including curtailments	1,405	2,093	-	-
Settlements	-	(5,442)	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	19,061	20,655	2,218	1,995
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**44,130**	**49,362**	**2,218**	**1,995**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(58,170)	(57,839)	-	-
Actuarial gains and losses arising from changes in demographic assumptions	12,410	12,915	417	653
Actuarial gains and losses arising from changes in financial assumptions	125,341	(104,481)	3,949	(1,777)
Other (if applicable)	-	25,834	159	3,142
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**123,711**	**(74,209)**	**6,743**	**4,013**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(44,130)	(49,362)	(2,218)	(1,995)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	24,689	26,886	3,307	3,425
Retirement Benefits Payable to Pensioners	-	-	3,307	3,425

*Discretionary benefits comprise the unfunded elements of the local government pension schemes (LGPS and LPFA) and the teachers' pension scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

Scheme History	Funded Liabilities				Unfunded Liabilities		
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits		Total
	31 March 13	31 March 14	31 March 13	31 March 14	31 March 13	31 March 14	**31 March 14**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Present Value of defined benefit obligation	(1,264,748)	(1,295,989)	(46,874)	(43,089)	(51,144)	(51,732)	**(1,390,810)**
Fair Value of Plan Assets	773,727	887,412	37,498	42,721	-	-	**930,133**
Net liability	**(491,021)**	**(408,577)**	**(9,376)**	**(368)**	**(51,144)**	**(51,732)**	**(460,677)**

The total net liability of £461m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Finance is only required to be raised to cover teachers' pensions when the pensions are actually paid.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Liabilities show the underlying commitments that the Council has in the long run to pay in retirement benefits.

Reconciliation of present value of the scheme liabilities 2013/14	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Balance at 1st April 2013	**1,264,748**	**46,874**	**51,144**
Current service costs	30,873	181	-
Interest cost	53,968	1,606	1,995
Contributions by scheme participants	9,057	34	-
Remeasurement (gains) and losses:			
Actuarial gains and losses arising from changes in demographic assumptions	12,532	383	653
Actuarial gains and losses arising from changes in financial assumptions	(101,464)	(3,017)	(1,777)
Other (if applicable)	32,440	(838)	3,142
Past service costs	290	115	-
Losses/(gains) on curtailment	1,688	-	-
Liabilities assumed on entity combinations	42,392	-	-
Benefits paid	(39,014)	(2,249)	(3,425)
Liabilities extinguished on settlements	(11,521)	-	-
Balance at 31st March 2014	**1,295,989**	**43,089**	**51,732**

Reconciliation of present value of the scheme liabilities 2012/13	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Balance at 1st April 2012	**970,214**	**41,661**	**47,797**
Current service costs	22,562	166	-
Interest cost	52,490	1,863	2,218
Contributions by scheme participants	8,400	39	-
Remeasurement (gains) and losses:			
Actuarial gains and losses arising from changes in demographic assumptions	12,410	5,509	417
Actuarial gains and losses arising from changes in financial assumptions	119,827	-	3,950
Other (if applicable)	-	-	159
Past service costs	393	-	-
Losses/(gains) on curtailment	1,012	-	-
Liabilities assumed on entity combinations	115,500	-	-
Benefits paid	(38,060)	(2,364)	(3,397)
Liabilities extinguished on settlements	-	-	-
Balance at 31st March 2013	**1,264,748**	**46,874**	**51,144**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Assets in the funded local government scheme are valued at fair value, principally market value for investments. Discretionary benefits arrangements under the Teachers' Pension Scheme and the Local Government Pension Scheme have no assets to cover the liabilities.

Reconciliation of the Movements in the Fair Value of Scheme Assets 2013/14	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	Islington Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Opening Fair Value of Scheme Assets at 1st April 2013	**773,727**	**37,498**	**0**
Interest Income	33,639	1,280	-
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	57,809	30	-
Other (if applicable)	-	5,768	-
Business combinations	32,750	-	-
Settlements	(6,079)		
Contributions by the employer	26,469	417	3,425
Contributions by scheme participants	9,057	34	-
Benefits paid	(39,014)	(2,250)	(3,425)
Administration expenses	(946)	(56)	-
Closing Fair Value of Scheme Assets at 31st March 2014	**887,412**	**42,721**	**0**

Reconciliation of the Movements in the Fair Value of Scheme Assets 2012/13	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	Islington Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Opening Fair Value of Scheme Assets at 1st April 2012	**604,300**	**36,304**	**0**
Interest Income	33,725	1,622	-
Remeasurement gain/(loss)			
Return on plan assets, excluding the amount included in the net interest expense	56,507	1,663	-
Other (if applicable)	-	-	-
Business combinations	85,022	-	-
Contributions by the employer	24,689	357	3,411
Contributions by scheme participants	8,440	39	-
Benefits paid	(38,077)	(2,364)	(3,411)
Administration expenses	(879)	(57)	-
Closing Fair Value of Scheme Assets at 31st March 2013	**773,727**	**37,498**	**0**

Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

Local Government Pension Scheme Assets (LGPS)	Quoted	Fair value of scheme assets 31/03/2013	31/03/2014
		£000	£000
Equities			
UK quoted	Y	255,329	292,846
Private equity	N	38,686	44,371
Global - North America	Y	77,373	97,615
Global - Europe	Y	46,424	53,245
Global - Japan	Y	15,475	8,874
Global - Pacific (ex Japan)	Y	23,212	17,748
Global - Emerging / Other	Y	46,424	53,245
Sub-total equities		**502,923**	**567,944**
Bonds			
UK other	Y	154,745	186,357
Sub-total bonds		**154,745**	**186,357**
Property			
UK	Y	92,847	106,489
Overseas	N	7,737	8,874
Sub-total property		**100,584**	**115,363**
Cash			
Cash accounts	Y	15,475	17,748
Sub-total cash		**15,475**	**17748**
Total assets		**773,727**	**887,412**

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets 31/03/2013 £000	31/03/2014 £000
Equities			
Global	Y	9,593	11,298
Investment funds unquoted	N	6,695	8,531
Investment funds quoted	Y	641	505
Private equity	N	2,939	2,897
Sub-total equities		**19,868**	**23,231**
Bonds			
LDI	N	3,672	2,628
Target return	Y	1,218	1,392
Investment funds and unit trusts quoted	Y	4,029	5,729
Investment funds and unit trusts unquoted	N	4,921	5,465
Sub-total bonds		**13,840**	**15,214**
Alternatives			
Infrastructure	N	1,346	1,497
Property funds	N	1,394	1,131
Commodity funds	Y	421	465
Cash	Y	731	976
Derivatives	N	(100)	128
Sub-total alternatives		**3,792**	**4,197**
Total assets		**37,500**	**42,642**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions such as mortality rates, salary levels etc.

Both the local government scheme liabilities and teachers' pensions discretionary benefits liabilities have been assessed by Mercer, an independent firm of actuaries, being based on the latest full valuation of the scheme as at 31st March 2013.

The significant assumptions used by the actuary have been:

	Funded and Unfunded				Unfunded	
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers' Pension Scheme	
	31 March 13	31 March 14	31 March 13	31 March 14	31 March 13	31 March 14
Long-term expected rate of return on assets in the scheme:						
Equity Investments	7.0%	7.0%	6.3%	4.0%	0	0
Bonds	3.9%	4.3%	4.5%	4.0%	0	0
Other	5.3%	5.4%	4.1%	4.0%	0	0
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	21.5	22.4	19.9	20.8	21.5	22.4
Women	24.4	25.1	23	24.3	24.4	25.1
Longevity at 65 for future pensioners (in years):						
Men	23.4	24.6	22.0	23.2	0.0	0.0
Women	26.4	27.4	24.9	26.6	0.0	0.0
Rate of inflation	2.4%	2.4%	2.4%	2.6%	2.4%	2.4%
Rate of increase in salaries	4.2%	4.2%	4.1%	4.4%	0.0	0.0
Rate of increase in pensions	2.4%	2.4%	2.4%	2.6%	2.4%	2.4%
Rate of discounting scheme liabilities	4.2%	4.4%	3.5%	4.2%	3.7%	4.3%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below 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 assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. 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. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	LGPS		LPFA	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	*£000*	*£000*	*£000*
Longevity (increase or decrease in 1 year)	26,182	(26,182)	(1,552)	1,552
Rate of inflation (increase or decrease by 1%)	24,105	(24,105)	578	(570)
Rate of increase in salaries (increase or decrease by 1%)	4,880	(4,880)	27	(27)
Rate of increase in pensions (increase or decrease by 1%)	24,105	(24,105)	578	(570)
Rate for discounting scheme liabilities (increase or decrease by 1%)	(23,675)	23,675	(588)	596

Impact of the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 22 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2013.

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.

The authority anticipated to pay £29.9m expected contributions to the LGPS and LPFA schemes in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 18 years, 2013/14 (15 years 2012/2013), and within LPFA is 14 years in 2013/14 (12 years in 2012/13).

The authority is exposed to a number of risks:

<u>LGPS</u>

- Investment risk. The Fund's primary risk is that assets fall short of liabilities in the long term and as a result it is not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as its biggest risk. The Investment Strategy adopted by the Pension Sub-Committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors regularly by performance benchmark and reviews strategies as markets evolve.
- Price Risk. The Fund quantifies prices risk by observing the potential market movement on the riskier assets and possible change in valuation.
- Currency risk. Overseas equities held by the Fund are currently 50-75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge.
- Other risks.
    - Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.
    - There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes.

<u>LPFA</u>

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the London Pension Fund Authority Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

<u>Defined Benefit Scheme - Accrued Pensions Contributions</u>

At 31st March 2014, the Council owed LGPS £1.4m and LPFA £39k for employer, employee contributions and pension strain. These balances were subsequently settled by June 2014.

49. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £7.4m to Teacher's Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2012/13 were £7.3m and 14.1% respectively. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2013/14 these amounted to £0.8m (£0.79m in 2012/13).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48.

NHS Pension Scheme

During 2013/14, NHS staff have transferred to the Council. These staff have maintained their membership in the NHS Pension Scheme. The Scheme provides these staff with specified benefits upon their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. However, the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £289k to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay. There was no contributions remaining payable at year end.

50. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

Income from Grants, Contributions and Donations	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non Specific Grant Income		
Non Domestic Rates	151,318	-
Revenue Support Grant	2,933	111,949
Top-up Grant	-	19,616
Early Intervention Grant	14,635	-
Learning Disability and Health Reform Grant	6,928	287
New Homes Bonus	5,220	9,833
Council Tax Freeze Grant	2,159	864
Local Services Support Grant	1,272	95
Education Services Grant	-	2,879
Donated Assets	8	-
Capital Grants	20,872	11,932
Other non specific grants	2,575	3,418
Other donations	-	-
Total	**207,920**	**160,873**
Credited to Services		
Dedicated Schools Grant	149,204	151,939
Housing Benefit Subsidy	201,814	205,471
HRA Subsidy	167	-
Council Tax Benefit Subsidy	29,140	-
Housing & Council Tax Benefits Administration Grant	3,320	2,962
Public Health Grant	-	24,350
Private Finance Initiative	33,304	32,907
Pupil Premium Grant	7,349	10,955
Sixth Form Funding	4,074	3,630
Asylum Seekers	1,495	1,273
Other grants and contributions	13,113	11,595
Other donations	-	-
Total	**442,980**	**445,082**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the grantor. The balances at the year-end are as follows:

31 Mar 2013 £'000	Grant Balances	31 Mar 2014 £'000
	Grants Receipts in Advance - Short Term	
	Revenue Grants	
(1,952)	Social Care Reform Grant	(1,593)
(2,009)	Dedicated Schools Grant	(5,751)
-	Public Health Grant	(386)
(330)	Other Government Grants balances	(407)
-	Other Contributions balances	(10)
(4,291)	**Total**	**(8,147)**
	Capital Grants	
(292)	Government Grants	(818)
(4,641)	s106 Contributions	(2,700)
(122)	Third Party contributions	(53)
(5,055)	**Total**	**(3,571)**
	Grants Receipts in Advance - Long Term	
	Capital Grants	
(563)	Government Grants	(371)
(14,392)	s106 Contributions	(16,320)
-	Third Party contributions	-
(14,955)	**Total**	**(16,691)**

51. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department to fund academy schools in the council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Over- and under-spending on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2013/14 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2013/14 before Academy recoupment	-	-	163,982
Academy figure recouped for 2013/14	-	-	(8,301)
Total DSG after Academy recoupment for 2013/14	**0**	**0**	**155,681**
Brought forward from 2012/13	-	-	2,009
Carry forward to 2014/15 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2013/14	**32,016**	**125,674**	**157,690**
In-year adjustments	-	-	-
Final budgeted distribution for 2013/14	**32,016**	**125,674**	**157,690**
less Actual Central Expenditure	-	-	-
less Actual ISB deployed to schools	(26,265)	(125,674)	(151,939)
plus Local authority contribution for 2013/14	-	-	-
Carry forward to 2014/15 agreed in advance	**5,751**	**0**	**5,751**

52. Trust Funds and Other Third Party Funds

The Council does not act as sole or custodian trustee for any trust funds, nor is it a trustee for any other funds. However the Council is responsible for the administration of a number of third party funds. These funds do not represent assets of the Council and, therefore, have not been included in the Council's Balance Sheet. These funds totalled £24.1m at 31st March 2014 (£16.4m at 31st March 2013) and mainly relate to money held for vulnerable individuals living in their own homes or in residential homes.

Housing Revenue Income and Expenditure Account

This Account records Income and Expenditure relating the Council's Housing Stock.

Income and Expenditure Statement for the Housing Revenue Account

2012/13 £'000	Housing Revenue Account Income and Expenditure Statement	2013/14 £'000
	Expenditure	
22,104	Repairs and Maintenance	23,463
79,437	Supervision and Management	84,793
363	Rents, Rates, Taxes and Other Charges	288
15,226	Depreciation of non-current Assets	17,343
-	Impairment of non-current Assets	-
302	Debt Management Costs	333
-	Movement in the allowance for bad debts	582
117,432	**Total Expenditure**	**126,802**
	Income	
(133,803)	Dwellings Rents (gross)	(140,685)
(1,556)	Non-Dwellings Rents (gross)	(1,592)
(28,224)	Charges for Services & Facilities	(27,566)
(833)	Transfers from General Fund - Communal Use	(833)
-	HRA Subsidy Receivable	-
(22,855)	PFI Government grant receivable	(22,855)
(116,912)	Revaluation and gain on non-current Assets	(367,835)
-	Contributions towards Expenditure	-
565	Movement in the allowance for bad debts	-
(303,618)	**Total Income**	**(561,366)**
(186,186)	**Net Cost of Services as included in the comprehensive Income and Expenditure Statement**	**(434,564)**
2,847	HRA services' share of Corporate and Democratic Core	2,890
-	HRA share of none allocated spec. services	-
(183,339)	**Net (Income) / Cost of HRA Services**	**(431,674)**

	HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:	
	Gain or loss on sale of HRA non-current assets	
(5,871)	Gain or loss on property, plant & equipment	(16,171)
(32)	Gain or loss on investment properties	192
(2,313)	Gain or loss on revaluation of investment properties	(128)
-	Net HRA Income or Expenditure on AMRA	-
28,341	Interest payable and similar charges	26,998
(1,031)	Capital Grants and Contributions receivable	(1,018)
(502)	Interest and investment income	(397)
(164,747)	**(Surplus)/Deficit for the year on HRA Services**	**(422,198)**

Statement of Movement on the Housing Revenue Account Balance

This Statement provides a reconciliation between the HRA Income and Expenditure Statement and the movement on the HRA Balance.

2012/13 *£'000*	Movement on the HRA Statement	2013/14 *£'000*
(11,703)	**Balance on the HRA at the end of the previous year**	**(12,789)**
(164,747)	Surplus or (Deficit) for year on the HRA Income and Expenditure Account	(422,198)
163,907	Adjustments between accounting basis and funding basis under statute	420,697
(840)	**Net (Increase) or decrease before transfers to or from reserves**	**(1,501)**
-	Transfers to / from reserves	210
(840)	**Increase or decrease in year on the HRA**	**(1,291)**
(246)	Business Combination (HFI Retained Earnings)	-
(12,789)	**Balance on the HRA at the end of the current year:**	**(14,080)**

The following table details the adjustments between accounting basis and funding basis under statute reported in the above table.

2012/13 £'000	Note on Reconciling Items for the HRA Balance	2013/14 £'000
	Adjustments between accounting basis and funding basis under statute	
-	Impairment of non-current Assets	-
1,031	Capital Grants received transferred to Grants Reserve	1,018
-	REFCUS	(1,345)
6,526	Repayment of PFI / lease liabilities	6,231
5,903	Gain or loss on sale of HRA non-current assets	15,979
116,098	Gain or loss on revaluation of council dwellings	367,814
(3,086)	Net charges made for retirement benefits in accordance with IAS 19	(3,820)
(116)	Differences between interest payable and similar charges including amortisation of premiums and discounts	(116)
2,848	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,345
107	Differences between any other item of income & expenditure determined by the SerCOP and HRA statutory requirement	(36)
-	Capital Receipts to fund Disposal Costs	(388)
(15,226)	Transfer depreciation to Capital Adjustment Account	(17,343)
2,232	Capital Expenditure funded by the HRA	2,079
44,401	Transfers to/from Major Repairs Reserve	48,279
	Transfer to / from earmarked reserves	
61	Transfer to/(from) PFI Smoothing Fund	61
3,128	Amounts transferred to/from HRA Reserve	149
163,907	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**420,907**

Notes to the Housing Revenue Account

1. Number and types of Dwellings

The number and types of dwelling in the Council's housing stock are shown below.

2012/13 Nos	Housing stock numbers	2013/14 Nos
23,357	Flats	23,231
2,489	Houses	2,462
-	Multiple Occupation	-
25,846	**Total**	**25,693**

2. Value of Dwellings

The value of Council Dwellings as at 31st March 2014 was £2.403 billion. The basis of the valuation for these dwellings is 'Existing Use Value for Social Housing' based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The vacant possession factor is 25% in 2013/14 (25% in 2012/13), which means that the vacant possession value of the dwellings within the HRA as at 31st March 2014 is £9.610 billion. The difference between the vacant possession and the Balance Sheet value shows the economic cost to the Government of providing social housing at less than open market rents.

2012/13 £'000	Housing Stock - Value	2013/14 £'000
	Operational Assets	
1,884,768	Council dwellings	2,402,600
	Other	
18,036	Other Land & buildings	18,305
19,609	Infrastructure Assets	23,675
969	Vehicles, Equipment & Plant	554
4,980	Surplus Non-operational assets	5,400
3	Community Assets	3
7,171	Investment Properties	6,789
8,705	Assets under Construction	10,996
1,944,241	**Total**	**2,468,322**

3. Major Repairs Reserve

Expenditure financed from the Major Repairs Reserve amounted to £32.90m in 2013/14 (£32.95m in 2012/13).

2012/13 £'000	Major Repairs Reserve	2013/14 £'000
(27,127)	**Balance as at 1st April**	**(38,581)**
(15,226)	Transfer from Capital Adjustment Account (equivalent to HRA depreciation)	(17,344)
(29,176)	Transfer to/(from) HRA	(30,934)
32,948	Capital Expenditure on Dwellings	32,903
(38,581)	**Balance as at 31 March**	**(53,956)**

4. Housing Repairs Account

Islington Council does not keep a Housing Repairs Account.

5. Capital Expenditure and Capital Receipts

The Council spent £50.49m on the Housing stock in 2013/14 (£40.96m in 2012/13). Capital Receipts in year amounted to £27.91m of which £3.08m was paid to Central Government.

2012/13 £'000	HRA Capital Expenditure	2013/14 £'000
40,261	Works to HRA Dwellings / Other Properties	48,677
704	REFCUS	1,809
40,965	**Total**	**50,486**

2012/13 £'000	Capital Expenditure by Funding Source	2013/14 £'000
5,818	Borrowing	4,238
464	Usable Capital receipts	10,235
704	Revenue Contributions	2,079
32,948	Major Repairs Reserve	32,916
-	PFI Funded works	-
1,031	Other	1,018
40,965	**Total**	**50,486**

2012/13 £'000	Summary of Capital Receipts	2013/14 £'000
9,483	Usable	24,833
2,703	Paid to DCLG	3,079
-	Reserved	-
12,186	**Total**	**27,912**

2012/13 £'000	Summary of Capital Receipts per Property Category	2013/14 £'000
2,805	Land	200
9,381	Dwellings and Other Properties	27,712
12,186	**Total**	**27,912**

6. Depreciation

The amount included in the Housing Revenue Account Income and Expenditure Account for Depreciation amounted to £17.3m in 2013/14 (£15.2m in 2012/13).

2012/13 £'000	Depreciation	2013/14 £'000
13,156	Council Dwellings	15,238
468	Other Land & Buildings	472
831	Infrastructure Assets	908
548	Vehicles, Equipment & Plant	502
131	Surplus Non-operational assets / Community Assets	130
93	Intangible Assets	93
15,227	**Total Depreciation**	**17,343**

7. Impairment

Nil impairment was charged during 2013/14 (nil for 2012/13).

8. Items Directed by the Secretary of State

None

9. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2013/14 was £0.051m (£0.051m in 2012/13).

10. Rent Arrears

Outstanding rent arrears at 31st March 2014 were £5.088m. The amounts outstanding at 31st March 2013 were £5.035. During 2013/14, irrecoverable rent arrears of £0.6m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £2.79m. The table below shows the comparison of rent arrears over 2012/13 and 2013/14.

2012/13 £'000	Rent Arrears	2013/14 £'000
2,834	Current Tenants	2,834
2,201	Former Tenants	2,254
5,035	**Total**	**5,088**

11. Exceptional or Prior Year Items

None this year that have not been disclosed elsewhere.

Collection Fund Statement

This account fulfils the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates.

Income and Expenditure Statement for the Collection Fund

2012/13 Council Tax £'000	2012/13 Non-Domestic Rates £'000	2012/13 Total £'000	Summary of Income and Expenditure Account as at 31st March 2014	2013/14 Council Tax £'000	2013/14 Non-Domestic Rates £'000	2013/14 TOTAL £'000
			Income			
(86,790)	(181,735)	(268,525)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(91,569)	(189,671)	(281,240)
	(5,166)	(5,166)	Busines Rate Supplement Income		(5,203)	(5,203)
			Transfers from General Fund			
(28,863)		(28,863)	Council Tax Benefits			-
		-	Transitional Relief	-	863	863
		-	Discounts for Prompt Payment	-		-
			Contributions			
		-	Towards previous year's Collection Fund Deficit	-	-	-
		-	Adjustment of previous years' community charge			-
(115,653)	**(186,901)**	**(302,554)**	**Total Income**	**(91,569)**	**(194,011)**	**(285,580)**
			Expenditure			
			Precepts, Payments & Demands			
12		12	Lloyd Square	12		12
27,538		27,538	Greater London Authority	20,858	36,564	57,422
	5,134	5,134	BRS Payments		5,175	5,175
86,359		86,359	London Borough of Islington	66,212	54,846	121,058
	181,070	181,070	Payments to National Pool			-
		-	Payments with respect to Central Share		91,410	91,410
113,909	**186,204**	**300,113**	**Total Precepts & Demands**	**87,082**	**187,995**	**275,077**
			Collection & Admin Costs			
	666	666	Costs of Collection		656	656
	32	32	BRS Administrative Costs		28	28
			Other Transfers to the General Fund			
	-	-	Renewable Energy Schemes		60	60
			Contributions			
		-	Towards previous year's Collection Fund Surplus	-	-	-
		-	Adjustment of previous years' community charge			-
			Bad and Doubtful Debts / Appeals			
74		74	Current Year Write Offs	76	236	312
			Appeals Provision		7,534	7,534
1,662		1,662	Allowance for Bad Debts Provisions	1,911	2,648	4,559
115,645	**186,902**	**302,547**	**Total Expenditure**	**89,069**	**199,157**	**288,226**
(8)	**1**	**(7)**	**(Surplus) / Deficit for the Year**	**(2,500)**	**5,146**	**2,646**

			Collection Fund Account Reserves			
(11)	-	(11)	(Surplus)/Deficit brought forward	(18)	-	(18)
(8)	1	(7)	(Surplus)/Deficit for the year	(2,500)	5,146	2,646
(19)	**1**	**(18)**	**Closing Collection Fund Balance**	**(2,518)**	**5,146**	**2,628**

			Current Share of (Surplus)/Deficit			
(14)	-	(14)	London Borough of Islington	(1,921)	1,544	(377)
(4)	-	(4)	Greater London Authority	(597)	1,029	432
-	-	-	Central Government	-	2,573	2,573
(18)	**0**	**(18)**	**Total (Surplus)/Deficit c/f**	**(2,518)**	**5,146**	**2,628**

Notes to the Collection Fund Statement

C1. Council Tax

Details of Council Tax are disclosed in full on the face of the Collection Fund Statement.

The 2013/14 Council Tax income is made up of following adjustments:

2012/13 £'000	Council Tax Income	2013/14 £'000
(137,596)	Gross Opening Charge	(139,261)
	Less: Adjustments	
9,297	Exemptions	8,182
55	Disabled Relief	69
12,611	Discounts	13,350
(20)	Other Adjustments	(2)
28,863	Council Tax Support	26,093
(86,790)	**Income collectable from Taxpayers**	**(91,569)**

The older person discounts for 2013/14 were £499k, the cost of which was absorbed by the General Fund. The £100 council tax discount is awarded to Islington residents, where the taxpayer or their partner is 65 or over on 1st April 2013 and is legally responsible for paying council tax at the property.

C2. Council Tax Base

For 2013/14, there were an estimated adjusted 86,769 (85,110 in 2013/14) residential properties in Islington which were placed in one of the eight valuation bands depending on their capital value. The total for each band is converted by use of appropriate multipliers and expressed in terms of a number of band D equivalents dwellings to give a tax base.

The tax base for council tax setting purposes for Islington was 68,837 equivalent Band D properties, (89,782 in 2012/13) and this was used to cover the net expenditure of the authorities that precept the Collection Fund. The reduction in the tax base between the two years is due to localisation of council tax which has replaced council tax benefits with council tax support scheme. Table below shows the number of properties in each band and the number of Band D equivalent properties. The 2013/14 band D equivalent council tax including precepts was £1264.87.

Bands	2013/14 Actual Net Chargeable Dwellings as at 31/03/14 No. of dwellings	2013/14 Council Tax incl precepts £'000	2013/14 Net CTS of Chargeable dwellings at tax setting No. of dwellings	Proportion of Band D Charges %	2013/14 Band D Equivalent Dwellings at Tax Base for Tax Setting No. of dwellings	2012/13 Band D Equivalent Dwellings at tax setting. No. of dwellings
A	1,224	843	988	66.7%	659	756
B	4,823	984	2936	77.8%	2284	3,744
C	24,342	1,124	15906	88.9%	14139	21,614
D	27,036	1,265	20168	100.0%	20168	26,736
E	14,767	1,546	11955	122.2%	14612	17,485
F	7,516	1,827	6605	144.4%	9540	10,481
G	6,234	2,108	5869	166.7%	9782	10,300
H	827	2,530	830	200.0%	1661	1,632
Total	**86,769**		**65,257**		**72,845**	**92,748**
Total Band D Equivalents Dwellings					**72,845**	**92,748**
Budgeted Collection Rate					94.50%	96.80%
Net Collection Rate Band D Equivalents Dwellings					**68,839**	**89,780**

C3. Non-domestic Rates (NDR).

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values and multiplier set by the Government. There are two multipliers. The small business non domestic rating multiplier for 2013/14 is 46.2p and the non-domestic rating multiplier is 47.1p.

Previously, the total amount less reliefs and other reductions, was paid back to a central pool (NDR Pool) managed by the Government, which in turns paid back to authorities their share of the pool based on the standard amount per head of resident population. On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows Islington to retain a proportion of business rates and share the rests with the precepting bodies. Councils were required to estimate the amount of business rates to be collected and paid over to the precepting bodies Central Government and Greater London Authority as well as retained.

As part of the localisation the Council has to finance appeals made in respect of rateable values as defined by the VOA and a provision for these amounts has been estimated in 2013/14.

The total non-domestic rateable value at 31st March 2014 was £486m (£482m at 31st March 2013). The rateable value of the borough has increased after the revaluation of all commercial properties in 2010 by the Valuation Office. However the growth was partly offset by the transitional protection arrangements, which limits the increase with a phasing over a period of 5 years.

The basis of the amount included in the Collection Fund is detailed below.

2012/13 £'000	Business Rates (NDR)	2013/14 £'000
(216,677)	**Gross rates and empty rates due at the end of the year**	**(223,121)**
	Less allowance and adjustments:	
5,305	NDR Payable in respect of previous years	8,313
393	Transitional Protection Payments	(863)
25,672	Mandatory Relief	25,017
341	Discretionary Relief	978
161	Refund of overpayments	6
31,872	**Total Reliefs and Adjustments**	**33,451**
(184,805)	**Net Rates Payable After Reliefs and adjustments**	**(189,670)**
666	Costs of Collection	656
-	Transitional Protection Payments	863
-	Disregarded Renewable Energy	60
3,069	Losses in collection	2,885
-	Appeals Provision	7,534
(181,070)	**Actual Non Domestic Rating Income**	**(177,672)**

C4. Business Rates Supplement (BRS) - Crossrail.

The BRS was levied by GLA on non-domestic properties with a rateable value of £55,000 or more.

The aggregate rateable value of properties liable for BRS on 31st March 2014 was £346m (£344m at 31st March 2013). The multiplier for the year was 2.0p, giving a possible BRS income of £6.9m (unchanged from 2012/13).

After allowable adjustments, the collectable income from BRS payers for 2013/14 was £5.204m (£5.166m in 2012/13). The £5.175m (£5.134m in 2012/13) payable to GLA is net of £0.028m (£0.032m in 2012/13) administrative costs retained by the Council.

2012/13 £'000	Business Rates Supplement (Crossrail)	2013/14 £'000
(5,161)	**BRS Due At Year End**	**(5,203)**
	Less allowance and adjustments:	
(5)	Refund of overpayments	-
-	Losses in collection	-
(5)	**Total**	**0**
(5,166)	**Income due from Business Ratepayers**	**(5,203)**
32	Costs of Collection	28
(5,134)	**Total**	**(5,175)**

C5. Collection Fund Share of (Surplus)/Deficit

The surpluses / deficits within the Collection Fund are shared between billing authorities and precepting bodies. The Council Tax apportionment of net balance with the preceptor (Greater London Authority) is shared in the subsequent year. The final balance on NDR account is also paid in the following year, however the apportionment is fixed with the council precepting partners in the following ratio: Central Government (50%), Greater London Authority (20%) and Islington (30%).

Pension Fund

Explanatory Foreword

The principal purpose of the Islington Council Pension Fund is to provide pensions for its employees (other than teachers who have their own national fund) under the Local Government Pension Scheme.

The Pension Fund is a defined benefit scheme built up from contributions paid by both employees and the Council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Employees' contributions to the Fund and the extent of benefits paid out are fixed by Government Regulations. An independent actuary assesses the Council's contribution rate every three years. The Local Government Pension Scheme is operated under regulations made under Sections 7 and 12 of the Local Government Superannuation Act 1972. The Regulations are the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and the Local Government Pension Scheme (Administration) Regulations 2008, as amended, and cover contributions, valuation of the Fund and benefits. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, cover fund management and suitable investments. The Pension Fund Accounts have been drawn up in accordance with the 2013/14 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the provisions of Chapter 2 of the Statement of Recommended Practice "Financial Reports of Pension Schemes.

The Council has delegated the investment arrangements of the scheme to the Pensions Sub-Committee who decide on the investment policy most suitable to meet the liabilities of the Scheme and the ultimate responsibility for the investment policy lies with it. The Committee is made up of four elected members of the Council who each have voting rights, and four observers, representing members of the fund, who do not have voting rights. The Committee reports to the Council and has fully delegated authority to make investment decisions. The Committee obtains and considers advice from the Corporate Director of Finance, and as necessary from the Pension Fund's appointed actuary (including specific investment advice), investment managers and investment advisers.

The investment portfolio is managed by investment managers. The fund has two private equity fund managers Pantheon Ventures (total commitment £28.2 million) and Standard Life (total commitment £48.1 million). The fund also has one fund of funds private global property manager, Franklin Templeton (total commitment £25 million). The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee.

The Statement of Investment Principles, Funding Strategy Statement and Governance Policy Statement for the Fund are available on the Council's website www.islington.gov.uk. The easiest way to access this is through the A-Z button, under "Finance Department"; "The Statement of Investment Principles, Funding Strategy Statement and Governance Policy Statement, for the Fund are available on the Council's website :

http://www.islington.gov.uk/about/pension-scheme/Pages/policies.aspx

Power is given in the 2008 Administration Regulations (as amended) to admit employees of other organisations to the London Borough of Islington Pension Fund. Lists of the scheduled and admitted bodies to the fund are detailed below:

Organisation	Employer
Islington Council	Administering Authority
St Mary Magdalene	Scheduled Body
City of London Academy	Scheduled Body
William Tyndale School	Scheduled Body
New North Community School	Scheduled Body
The Courtyard School	Scheduled Body
Stem 6th Form Academy	Scheduled Body
Community Services Volunteers (CSV)	Admitted Body
Aquaterra	Admitted Body
Circle Anglia	Admitted Body
Camden & Islington NHS Foundation Trust	Admitted Body
SSE Contraction Ltd (Islington Lighting)	Admitted Body
Southern Housing Group	Admitted Body
Braithwaite	Admitted Body
Pleydell	Admitted Body
Kier Support Services	Admitted Body
Cofely Workplace Ltd (Balfour Beatty)	Admitted Body
Caterlink	Admitted Body
NCP Services (Islington South)	Admitted Body
RM Education	Admitted Body
Breyer Group	Admitted Body
Mears Ltd	Admitted Body
Greenwich Leisure Ltd	Admitted Body

There are also twelve other admitted bodies that do not currently have any active members. These are:

- London Property Maintenance
- FSST
- St Lukes
- Association of London Authorities (ALA)
- Family Services Unit (FSU)
- Redbrick
- Brunswick
- Cushman & Wakefield
- Kier Islington
- Mouchel Parkman
- Cambridge Education Associates (CEA)
- Notting Hill Housing Trust

Accounting Policies

The accounts have been prepared in accordance with the provisions of Chapter 2 of Recommended Accounting Practice of the Pension SORP May 2007 and the 2013/14 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is IFRS compliant. The financial statements have been prepared on an accruals basis except for transfers to and from the scheme which are accounted for on a cash basis.

The accounts summarise the transactions and net assets of the fund. They do not take account of future liabilities to pay pensions and other benefits after the period end.

The principal accounting policies of the scheme are as follows:

1. Investments

- Investment values are at bid price.
- Listed investments are shown in the Pension Fund accounts at market value, determined by Stock Exchange prices at the net asset statement date.
- Fixed interest securities are stated at their bid price. The value of fixed interest investments in the Fund's investment portfolio excludes interest earned but not paid over at the Fund year-end, which is included separately within accrued investment income.
- Current market value of equities is based on bid price as provided by fund managers.
- Index linked securities are valued at bid price.
- Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads or single price where there are no bid/offer spreads as provided by the investment manager.
- Managed funds and Unit trusts are valued at the price quoted by their respective managers on the last trading day of the year, which is determined by the market value of the underlying investments.
- Private equity is priced on the latest audited valuation plus any drawdowns and distributions to the 31 March 2014.
- Property is valued on the unit price as quoted by the fund manager.
- Derivatives are stated at market value.
- Corporate bonds are managed in a pooled fund valued at a single swinging price.
- Acquisition costs of assets are included within the historic cost of the assets

2. Investment Income

- Investment income (e.g. dividends and interest on Government Stocks) is accounted for on an accruals basis.
- Investment income is taken into account where dividends have been declared at the end of the financial year.
- Investment income also includes withholding tax where this cannot be recovered. The amount of irrecoverable withholding tax is disclosed as a separate line in the face of the account.

3. Foreign Currencies

Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling at 31 March 2014.

4. Contributions

Normal contributions, both from employees and employers, are accounted for in the payroll month to which they relate at values specified in the rates and adjustments certificate. Additional contributions from employers are accounted for when received.

5. Benefits Payable

Benefits payable and refund of contributions are brought into the accounts on the basis of valid claims approved during the year. Under the rules of the Fund, retirees receive a lump sum retirement grant in respect of any membership up to 31 March 2008, in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose regarding the type or amount of benefit, then these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

6. Transfers

Transfer values are those sums paid by, or received from, other pension schemes and included in the accounts on the basis of the date paid for transfers to or from other Local Government schemes.

7. Expenses

- Regulations permit the Council to charge administration costs and the investment managers' fees to the Fund.
- Administration costs represent officers' salaries and other expenses for work on scheme administration and investment-related matters and central establishment and computer recharges.
- The cost of administration, fund managers' fees, performance measurement fees and valuation fees are charged directly to the fund.
- Expenses are recognised on an accruals basis net of any recoverable VAT.

8. Stock Lending

The fund does not participate in stock lending.

9. Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2009. Total contribution paid by members during 2013/14 amounted to £153,314 and the value of the fund as at 31 March 2014 was £1.555m.

10. Actuarial Position

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Income and Expenditure Account

2012/13 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2013/14 £'000	Note
	Income		
27,985	Employer contributions	28,962	2
9,467	Members contributions	9,831	2
3,090	Transfers in from other pension funds	3,767	3
2,511	Other Income	2,530	4
43,053	**Total Income**	**45,090**	
	Expenditure		
(43,003)	Benefits payable	(44,535)	5
(3,586)	Payment to and on account of leavers	(9,057)	6
(992)	Administrative & other expenses borne by scheme	(1,002)	7
(47,581)	**Total Expenditure**	**(54,594)**	
(4,528)	**Net additions/ (withdrawals) from dealing with members**	**(9,504)**	

	Returns on investment		
13,478	Investment income	28,531	8
98,088	Change in market value (realised & unrealised)	36,999	
(793)	Investment management expenses	(1,116)	10
110,773	**Total Returns on investments**	**64,414**	

	Net return on investments		
106,245	Net increase/decrease in fund in year	54,910	
812,861	**Opening net assets of the scheme**	**919,106**	
919,106	**Closing net assets of the scheme**	**974,016**	

Net Assets Statement

2012/13 £'000	Net Assets Statement for the year ended 31 March 2014	2013/14 £'000	Note
	Investments		
907,934	Investment assets	950,833	9
10,348	Other Investment and Cash	20,881	9
918,282	**Total Investments**	**971,714**	
	Current Assets and Liabilities		
-	Investment liabilities	-	
-	Borrowings	-	
2,797	Current assets	3,871	11
(1,973)	Current liabilities	(1,568)	12
824	**Net Current Assets**	**2,302**	
919,106	**Net assets of the scheme at 31 March**	**974,016**	

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Notes to the Pensions Account

1. Basis of Preparation

The accounts have been prepared in accordance with the Occupational Pension Schemes Regulations 1996 and with guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) and the 2013/14 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Contributions Receivable

a) Employers' Contributions

The following table sets out an analysis of the contributions made by the Council and its Admitted bodies.

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery*	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	23,494	24,810	-	-	1,193	1,658
Scheduled Bodies						
St Mary Magdalene	136	142	-	-	-	-
City of London Academy	88	91	-	-	-	-
New North Community School	6	72	-	-	-	-
William Tyndale School	23	86	-	-	-	-
The Courtyard School	-	6	-	-	-	-
Stem 6th form Academy	-	2	-	-	-	-
Admitted bodies						
CSV	997	941	-	-	-	78
Aquaterra	226	226	-	-	-	-
Circle Anglia	17	12	-	-	-	-
Camden & Islington NHS Foundation Trust	75	65	-	-	-	-
CEA	679	-	-	-	209	-
Notting Hill Trust	2	1	-	-	-	-
NCP Services (Islington South)	16	16	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	22	21	-	-	-	-
Southern Housing Group	7	5	-	-	-	-
Braithwaite	3	3	-	-	-	-
Pleydell	3	10	-	-	-	-
Caterlink	155	148	-	-	-	-
Mouchel Parkman	-	-	100	-	-	-
Cofely Workplace Ltd (Balfour Beatty)	49	71	-	-	-	-
R M Education	5	8	-	-	-	-
Kier support Services	434	405	-	-	-	37
Breyer Group	19	17	-	-	-	-
Mears Ltd	26	27	-	-	-	-
Greenwich Leisure Ltd	1	4	-	-	-	-
Totals	26,483	27,189	100	0	1,402	1,773

*Note 15 provides further information regarding "Strain Recovery"

b) Members' Contributions

The following table sets out an analysis of the contributions made by Employees of the Council and its Admitted bodies.

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2012/13	2013/14
	£'000	£'000
Administering Authority		
Islington Council	8,440	9,056
Scheduled Bodies		
St Mary Magdalene	90	93
City of London Academy	51	52
New North Community School	13	16
William Tyndale School	13	13
The Courtyard School	-	4
Stem 6th form Academy	-	3
Admitted bodies		
CSV	217	185
Aquaterra	75	76
Circle Anglia	4	2
Camden & Islington NHS Foundation Trust	13	9
CEA	231	-
Notting Hill Trust	1	0
NCP Services (Islington South)	9	9
SSE Contracting Ltd (Islington Lighting)	7	7
Southern Housing Group	2	1
Braithwaite	2	2
Pleydell	2	6
Caterlink	56	54
Cofely Workplace Ltd (Balfour Beatty)	23	34
R M Education	4	7
Kier Support Services	193	181
Breyer Group	10	9
Mears Ltd	11	11
Greenwich Leisure Ltd	-	1
Totals	**9,467**	**9,831**

3. Transfers in

2012/13 £'000	Transfers in	2013/14 £'000
-	Group transfers in from other schemes	-
3,090	Individual transfers in from other schemes	3,767
3,090	**Total transfers in**	**3,767**

4. Other Income

2012/13 £'000	Other Income	2013/14 £'000
0	Income from Other Investments	0
0	Interest	0
2,511	Other	2,530
2,511	**Total other income**	**2,530**

5. Benefits

The following table sets out an analysis of the benefits paid to former employees of this Council and the admitted bodies.

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Administering Authority						
Islington Council	32,604	34,112	5,925	6,174	1,351	1,186
Scheduled Bodies						
St Mary Magdalene	6	6	2	-	-	-
City of London Academy	-	3	-	19	-	-
New North Community School	7	4	-	-	-	-
William Tyndale School	-	-	-	-	-	-
The Courtyard School	-	-	-	-	-	-
Stem 6th form Academy	-	-	-	-	-	-
Admitted bodies						
CSV	818	872	66	175	21	0
Aquaterra	180	198	30	-	-	-
Circle Anglia	41	49	-	88	-	-
Camden & Islington NHS Foundation Trust	47	49	-	-	-	-
CEA	706	789	424	-	-	-
FSST	6	6	-	-	-	-
Kier Islington Ltd (Caxton)	539	542	26	-	71	-
NCP Services (Islington South)	29	28	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	21	21	-	-	-	-
Redbrick	2	2	-	-	-	-
Mouchel Parkman	29	30	-	-	-	-
St Lukes	2	2	-	-	-	-
ALA	6	9	-	23	-	-
Brunswick	8	9	-	2	-	-
Cushman & Wakefield LLP	12	12	-	-	-	-
London Property Maintenance	1	0	-	-	-	-
Caterlink	8	2	-	-	5	20
Notting Hill Trust	10	14	-	13	-	-
Kier Support Services	-	2	-	71	-	0
Cofely Workplace Ltd (Balfour Beatty)	-	1	-	2	-	-
Mears Ltd	-	-	-	-	-	-
Greenwich Leisure Ltd	-	-	-	-	-	-
Totals	**35,082**	**36,762**	**6,473**	**6,567**	**1,448**	**1,206**

6. Payments to and on Account of Leavers

2012/13 £'000	Payment to and on Account of Leavers	2013/14 £'000
31	Refunds of Contributions	6
-	Group Transfers*	6,079
3,555	Individual Transfer	2,972
3,586	**Total payments to and on account of leavers**	**9,057**

*Bulk transfer from Islington to LPFA in respect of staff who joined the LGA and TfL

7. Administrative and Other Expenses

2012/13 £'000	Administrative expenses	2013/14 £'000
771	Employee Cost	747
180	Support services / IT	185
0	Actuarial fees	47
21	Audit fee	21
-	Legal and other professional fees	-
20	Other expenses	2
992	**Total administrative expenses**	**1,002**

All other costs of administration are borne by Islington Council.

8. Income from Investments

2012/13 £'000	Investment Income	2013/14 £'000
14,576	Dividends from equities	17,623
(3,205)	Income from other investments vehicles	8,688
2,106	Net rents from pooled investment properties	2,220
1	Interest on cash deposits	-
13,478	**Total Investment income**	**28,531**
-	Irrecoverable withholding tax	-
13,478	**Total Investment income**	**28,531**

9. Investments

Investments	Market value 01 Apr 13 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 14 £'000
Fixed interest securities	82	-	-	(5)	77
Indexed linked securities	130	-	-	(10)	120
Equities	481,514	62,325	56,501	19,733	507,071
Pooled investment vehicles (P.I.V)	266,422	38,021	38,024	4,517	270,936
Other Investment - P.I.V	-	-	-	-	-
Properties - P.I.V	116,517	3,785	1,147	10,066	129,221
Private Equity - P.I.V	43,244	4,078	6,627	2,700	43,395
Venture Capital	25	-	10	(2)	13
Total	**907,934**	**108,209**	**102,309**	**36,999**	**950,833**
Other Investment & Cash	10,348				20,881
Total Investments	**918,282**				**971,714**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year including profits and losses realised on sales of investments during the year. Investments are now valued at bid price.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. In addition, indirect costs are incurred thorough bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Investment Assets by Type		2012/13 £'000	2013/14 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		82	77
Total Fixed interest securities		**82**	**77**
Equities (valued at Bid Price)			
UK quoted		267,828	270,673
Overseas quoted		213,686	236,398
Total Equities		**481,514**	**507,071**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	69,652	76,797
	Other : Bond	189,766	195,242
Overseas Managed Funds	Other : Equity	72,664	68,206
	Property	6,410	8,750
	Other : Private Equity	43,244	43,395
UK Unit trusts (valued at Bid Price)	Property	40,455	43,674
	Other	4,017	7,501
Total Pooled investment vehicles		**426,208**	**443,565**
Index -linked Securities (Valued at Bid Price)			
UK public sector quoted		130	120
Overseas public sector quoted		-	-
Insurance policies			
Insurance policies		-	-
Other investment balances (valued at Amortised cost)			
Amounts due from broker		-	-
Outstanding trades		1,052	213
Outstanding dividends & RWT		2,405	2,274
Cash deposits : Sterling		6,891	18,394
Total Other investment balances		**10,478**	**21,001**
Total Investment Assets		**918,282**	**971,714**

Type of future	Expiration	Economic Exposure value	Market Value
UK FTSE exchange traded	Less than 1 year	-	-
UK gilt exchange traded	Less than 1 year	-	-
Total		**0**	**0**

All fund managers operating the pooled investment vehicles are registered in the United Kingdom.

10. Investment management expenses

2012/13 £'000	Investment management expenses	2013/14 £'000
709	Administration, management and custody	969
27	Performance measurement services	26
57	Other advisory fees	121
793	**Total investment management expenses**	**1,116**

11. Current assets

2012/13 £'000	Current Assets	2013/14 £'000
2,721	Contributions due from Employers	3,836
76	Sundry Debtors	35
0	Cash Balances	0
2,797	**Total**	**3,871**

12. Current liabilities

2012/13 £'000	Current Liabilities	2013/14 £'000
(708)	Accrued benefits	(585)
(1,087)	Sundry Creditors	(766)
(178)	Accrued expenses	(217)
(1,973)	**Total**	**(1,568)**

13. Expenditure

a) Benefits provided by the scheme include:

- Retirement pensions at normal retirement age or earlier should the Council's medical adviser decide that a member be retired on grounds of ill health, or on grounds of redundancy or efficiency of the service at or after the age of fifty-five.
- Pensions for widows and widowers and in certain circumstances children's pensions.

b) Lump sum payments on retirement or death in service. Retirement benefits are normally based on a members' pensionable pay over the last year of service, whilst the lump sum payment in respect of death in service is three times the actual final year's pay.

c) A contributor who leaves the service of the Council or opts out of the scheme and has less than three months membership may take a refund of contributions, so long as not re-entering the scheme within one month and one day of leaving/opting out. Any refund is subject to certain statutory deductions.

However, where the member's service is three months or more, no refund can be given, instead preserved benefits are awarded which are accrued up to the contributor's last day of service and are payable when benefits would normally become payable had the contributor remained in the employment of the Council. In certain circumstances, it may be possible to transfer accrued membership to another local authority or to an outside scheme/arrangement.

d) Payment of a Contribution Equivalent Premium (CEP) restores the Employee's rights in the state pension scheme as if he/she had not been contracted out, and extinguishes his/her accrued rights to a guaranteed minimum pension (GMP) in the local government pension scheme.

e) Regulations permit the Council to charge administration costs and the investment managers' fees to the Fund. Administration costs represent officers' salaries and other expenses for work on scheme administration and investment-related matters and central establishment and computer recharges. The fees paid to the investment managers are their charges for managing the investments of the Fund.

14. Income

Income is credited to the Pension Fund consisting mainly of:

a) Employees' contributions ranging between 5.25% and 7.5% according to the annual earnings band an employee falls in.

b) Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2010, effective from 1 April 2011 fixed at 10.9% of pensionable payroll costs. In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over twenty five years. A lump sum contribution of £8.9m was made in 2013/14.

c) Upgraded Pensions relate to compensation payments (added years) made on redundancy or efficiency grounds, the index-linked increases thereon, and certain non-contributing service which the Council has treated as counting at full length in the payment of benefits. Income is transferred to the Pension Fund from the General Fund to offset these payments.

d) Contributions are invested and used for the benefit of the Pension Fund. The investment income in the form of dividends, interest and capital realisation is paid into the Fund.

e) Transfers to and from the Fund and other organisations are permitted. Transfers within the local government scheme are on a year for year, day for day basis but in all other transfers the money received from the organisation is used to purchase an amount of reckonable service in the local government scheme.

f) The Pension Fund is Tax Exempt

15. Actuarial Position

Mercer, an independent actuary, values the Fund every three years. The actuary's job is to decide whether present contribution rates are sufficient for funding purposes. They may, if the situation demands, recommend an increase in contributions to ensure the solvency of the Fund. The latest actuarial valuation, including calculated changes to the ongoing employer contribution rate to meet current service accrual, and to the lump sums needed to meet past service deficit, was carried out as at 31 March 2013.

Pension Fund Triennial Revaluation

The Pension Fund Triennial revaluation carried out as at 31 March 2013 will not come into effect in terms of altered employer contributions until 1 April 2014 to 31 March 2017. Under this revaluation the Fund assets were valued at £919m and liabilities at £1,312m, a deficit of £393m. The funding level had declined from 72% to 70%. The funding target to recover the deficit was however, mitigated by improvements in financial factors as at 31 August 2013 in particular the increase in gilts yields. In agreement with employers, and the administering authority the actuary has built into the recovery plan this improvement to stabilise contributions requirement if appropriate.

The actuary has defined a common employer contribution rate of 12.8% of pensionable pay per annum, and an average additional contribution of 7.3% of pensionable pay for 22 years to eliminate the deficit. This would imply an average employer contribution rate of 20.1% of pensionable pay in total.

Additional monetary amounts are paid each year and inflated by the amount specified in the annual Pensions Increase Order, to complete a 22 year programme of payments to bring the Fund back to 100% funding.

The contribution rates were calculated using the projected unit actuarial method and the main assumptions (2013 valuation) were as follows for future service:

- Rate of return on investments 6.35% per annum
- Rate of general pay increases 4.35% per annum
- Rate of increases to pensions in payment (in excess of Guaranteed Minimum Pensions) 2.6% per annum

Assets have been valued at their market value at the valuation date.

The Audit Commission published a report on the impact of early retirement on public sector pension funds in 1997, "Retiring Nature: Early Retirement in Local Government".

Following the Council's consideration of this report, a system of controls was put in place to protect the Pension Fund from the unfunded costs or "strain" placed on the Fund to finance early retirements due to redundancy, and also high levels of medical retirements. As a result all medical retirements must be considered and approved by the Council's Occupational Health Adviser based on practice guidelines issued by the adviser's professional body.

In addition the levels of medical retirements are monitored annually to ensure that the costs incurred are not significantly different from the annual allowance for such costs made by the Fund actuary. For early retirements resulting from redundancy, there is no allowance in the Pension Fund for the costs of the additional years of benefit payable before normal retirement age, or the loss of contribution income, (the capitalised sum of these cash streams are termed the "strain" on the Pension Fund). To allow for this, when departments consider redundancies involving an early retirement, they must take into account the "strain" cost in the appraisal, and if an early retirement is permitted, the department must repay the "strain" payment into the Fund. Instalments over three years are permitted, with an interest charge.

16. Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	No's	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*
Employees Contributing into the Fund	4,852	5,658	482	360	121	147	5,455	6,165
Pensioners / Dependents	4,327	4,498	370	326	4	6	4,701	4,830
Widows / Children's Pensions	847	881	44	43	-	-	891	924
Deferred Benefits	6,126	6,324	901	702	45	60	7,072	7,086
Totals	**16,152**	**17,361**	**1,797**	**1,431**	**170**	**213**	**18,119**	**19,005**

17. Additional Voluntary Contributions

2012/13 *Market Value £'000*	Additional Voluntary Contribution	2013/14 *Market Value £'000*
1,057	Prudential	1,245
237	Equitable life	227
109	NPI	83
1,403	**Total Additional Voluntary Contributions**	**1,555**

18. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2013/14.

19. Contractual Commitments.

There were no contractual commitments at the period end.

20. Related Parties

Islington Pension Fund is administered by Islington Council.

Members of the Pensions Sub-committee are related parties of the fund and four of them are members of the LGPS.

As at 31 March 2014, Islington Council owed the Pension fund £1.4m (£1m 2012-13). Full contributions from the Council for the year are disclosed in table 2a.

21. Post Balance Sheet Events

None identified at the date of issue.

22. Risk and risk management

The Fund's primary risk is that assets fall short of liabilities in the long term and as a result not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as it biggest risk. Investment Strategy adopted by the pension sub-committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors managers regularly by performance benchmark and reviews strategies as markets evolve.

23. Price and currency risk

Price and currency risk can be quantified by observing the potential market movement on the riskier assets and possible change in valuation.

Price risk

Price Risk	Final Market Value as at 31/03/14 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	325,881	11.99%	364,954	286,808
Overseas Equities	257,985	11.82%	288,479	227,491
Total Bonds	196,825	5.51%	207,670	185,980
Cash	18,655	0.02%	18,659	18,651
Property	127,550	2.28%	130,458	124,642
Private Equity	44,550	5.46%	46,982	42,118
Total Assets	**971,446**		**1,057,202**	**885,690**

Currency risk

The overseas equities are currently 50- 75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge and as such the table above shows the aggregate currency exposure to overseas equities. A single outcome exchange rate volatility impact reflects the changes in value.

Currency Risk	Final Market Value as at 31/03/14 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities- Yen	12,530	2.85%	12,887	12,173
Overseas Asset 2-euro	103,922	2.85%	106,882	100,962
Overseas Asset 3-US dollar	59,262	2.85%	60,950	57,574
Overseas Asset 4-other int	61,376	2.85%	63,124	59,628
Overseas Asset 5-asia ex japan	20,446	2.85%	21,028	19,864
Total Assets	**257,536**		**264,871**	**250,201**

24. Financial Instruments

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

Values at 31 March 2014	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable inputs Level 3 £'000	Total £'000
Financial Assests				
Financial assets at fair value through profit and loss	907,438	64,276	-	971,714
Loans and Receivables	-	3,871	-	3,871
Total Financial Assets	**907,438**	**68,147**	**0**	**975,585**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(1,568)	-	(1,568)
Total Financial Liabilities	**0**	**(1,568)**	**0**	**(1,568)**
Net Financial Assets	**907,438**	**66,578**	**0**	**974,016**

Values at 31 March 2013	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable inputs Level 3 £'000	Total £'000
Financial Assests				
Financial assets at fair value through profit and loss	864,690	53,592	-	918,282
Loans and Receivables	-	2,797	-	2,797
Total Financial Assets	**864,690**	**56,389**	**0**	**921,079**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(1,973)	-	(1,973)
Total Financial Liabilities	**0**	**(1,973)**	**0**	**(1,973)**
Net Financial Assets	**864,690**	**54,416**	**0**	**919,106**

Valuation of financial instruments carried a fair value

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

Level 1

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

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

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

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

25. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2012/13 £'000	2013/14 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self managed	253,419	259,963
Overseas quoted - LBI self managed	39,486	50,004
CASH DEPOSITS		
Sterling	1,722	3,218
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,634	1,626
Outstanding trades	*376*	*0*
FIXED INTEREST		
UK	82	77
INDEX-LINKED		
UK	130	120
POOLED FUNDS		
UK	3,992	5,002
Total LBI In House Fund	**300,841**	**320,010**
Newton		
EQUITIES		
Overseas quoted - NEWTON	103,380	109,268
UK quoted - NEWTON	7,294	8,392
CASH DEPOSITS		
Sterling	2,738	3,450
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	477	487
Outstanding trades	585	213
Total Newton	**114,474**	**121,810**
RCM		
EQUITIES		
Overseas quoted - RCM	70,820	77,126
UK quoted - RCM	7,115	2,318
POOLED FUNDS		
Other	0	2,485
CASH DEPOSITS		
Sterling	2,037	2,646
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	242	161
Outstanding trades	143	0
Total RCM	**80,357**	**84,736**

Investment Assets by Fund Manager (contd.)	2012/13 £'000	2013/14 £'000
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	189,766	195,242
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	21,406	20,163
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	21,838	23,232
Aviva Lime Property		
UK UNIT TRUSTS		
Property	40,455	43,674
Threadneedle Pensions		
POOLED INVESTMENT: Property	50,053	55,962
Baring English Growth Fund		
UK UNIT TRUSTS	16	13
Midlands Growth Fund		
UK UNIT TRUSTS	9	0
Thesis		
POOLED INVESTMENT: Property	19,600	20,835
BNY Mellon		
CASH DEPOSITS : Sterling	393	9,080
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	72,664	68,207
Franklin Templeton		
Pooled Investment Global Property	6,410	8,750
Total Investment Assets	**918,282**	**971,714**

Glossary of Financial Terms

Accounting Standards: A set of rules about how accounts are to be kept. By law local authorities must follow "proper accounting practices" which are set out both in acts of parliament and in professional codes and statements of recommended practice.

Accruals: The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

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

Asset Register: A record of Council assets, including land and buildings, housing, infrastructure and vehicles, equipment etc., kept for the purposes of calculating capital charges to be made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals etc.

Bad Debt Provisions: Amount of money set aside to meet cost of monies owed to the Council that are not expected to be repaid.

Balances: The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Capital Expenditure: Expenditure on the purchase, construction and enhancement of Council assets such as houses, offices, schools, roads etc. Expenditure can only be treated as "capital" if it meets the statutory definitions and is in accordance with "proper accounting practices".

Capital Adjustment Account: Represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or the repayment of external loans and certain other financing transactions.

Capital Financing Costs: The revenue cost of paying for capital expenditure. These costs are made up of interest on borrowing and the repayment of loans (similar to repayment of a domestic mortgage). This results in the costs of capital schemes being spread over a number of years within the revenue accounts.

Capital Grants: Monies received from government departments and other statutory bodies towards the Council's capital expenditure.

Capital Receipts: Income over £10,000 from the sale of a fixed asset. They can only be used to finance other capital expenditure or repay outstanding debt on assets financed from loan.

Central Support Services: The Best Value Accounting Code of Practice (SerCOP) requires the reallocation of central support services' costs, such as legal and finance, to General Fund service heads, the Housing Revenue Account and trading accounts in order to provide a more accurate picture of how much services cost in their totality.

Chargeable Dwellings: The number of dwellings in the Council's area liable for Council Tax.

Collection Fund: This account fulfils the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates.

Collection Fund Adjustment Account: Represents the difference between the accrued Council Tax income due for the year credited to the Income and Expenditure Account in accordance with the SORP and the amount of monies due from the Collection Fund in line with regulations. This adjustment takes place through the Statement of the Movement on the General Fund Balance.

Contingent Liabilities: Sums of money that the Council will be liable to pay in certain circumstances e.g. as a result of losing court cases. Contingent liabilities are either:
(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or
(b) a present obligation that arises from past events but is not recognised because:
(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
(ii) the amount of the obligation cannot be measured with sufficient reliability.
A contingent asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

Council Tax: A tax on domestic property values.

Creditors: Amounts of money owed by the Council for goods of services received.

Debt Charges: The cost of borrowing money to meet capital expenditure, including principal payments and interest charges.

Debtors: Amounts of money owed to the Council for goods or services provided.

Deemed Debt: Outstanding loans inherited from ex GLC housing.

Deferred Capital Receipts: This refers to income of a capital nature that will be received in future accounting periods. A corresponding debtor normally offsets it; for example, receipts related to mortgages made by the Council.

Deferred Credits: Income of a revenue nature received in advance.

Deferred Liability: This relates to obligations arising from past events, the settlement of which is expected to result in an outflow from the organisation. Under both finance and operating leases, the lessee acquires a contractual right to enjoy the future economic benefits embodied in the leased property over the lease term.

Depreciation:
A provision made in the accounts to reflect the value of assets used during the year e.g. a vehicle purchased for £10,000 with a life of five years would depreciate on a straight line basis at the rate of £2,000 p.a. Depreciation forms part of the "capital charge" now made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

Direct Expenses: Expenditure on employees or running costs that are directly controlled by the service involved.

Direct Revenue Financing (DRF): The use of revenue monies to pay for capital expenditure, also known as Revenue Contributions to Capital Outlay.

Disposals: Sales of Council's assets - see Capital Receipts.

Emoluments: All sums paid to or receivable by an employee including the money value of any other benefit received other than in cash.

External Auditors: The auditor appointed by the Audit Commission to carry out an audit of the Council's accounts. Currently this is the Operations Directorate of the Audit Commission, who have statutory responsibilities to ensure that:

- The Council's accounts are prepared in compliance with applicable statutory provisions;
- The Council has complied with the Service Reporting Code of Practice (SerCOP);
- The Council has observed proper accounting practices in compiling the accounts;
- The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Revaluation Reserve Account: Represents principally the balance of surpluses or deficits arising on periodic revaluation of fixed assets.

General Fund: The Council's main revenue account that covers the net cost of all services.

Government Grants Deferred: Government grant income which has been used to finance capital expenditure.

Heritage Assets: A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Housing General Fund: That part of the Housing Service's budget which does not relate to the Council's landlord functions. This includes costs of homelessness and rent allowances. These services appear as a separate Service Head within the General Fund budget.

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

Housing Subsidy: The grant paid by Central Government to local authorities to subsidise the cost of Council Housing. The grant is paid into the Housing Revenue Account.

Indirect Employee Expenses: Employee overheads and other costs incurred in employing staff apart from pay e.g. removal expenses etc.

Infrastructure: A classification of fixed assets which includes facilities required to enable other developments to take place (e.g. roads, street lighting) and similar environmental works.

Intangible Assets: An intangible item, such as software licences and development expenditure, may meet the definition of an asset when the Council controls access to the future economic benefits that it represents.

Leases: Certain types of leasing arrangements are not treated as capital expenditure and the Council can use them to lease computer equipment and vehicles without the costs having to be met from capital resources such as borrowing. They are known as "operating leases", but the Council must also consider the cost of future "leasing charges". This benefit does not apply to "finance leases" where ownership transfers to the lessee.

Leasing Charges: The annual rental payments on items such as vehicles and computers that have been leased by the Council. See Capital Financing Costs.

Levies: Payments to London-wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by local authorities in the area concerned based on their Council Tax base and is met from the General Fund.

Long Term Debtors: These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts such as mortgages have been agreed.

Members Allowances: Payments to Councillors, authorised by law, in respect of the costs incurred in carrying out their duties as elected representatives.

Minimum Revenue Provision: The minimum amount, which the Council must charge to the General Fund in the year, in respect of the repayment of principal of borrowing for capital purposes. The minimum provision is expressed as 4% of the Council's General Fund capital financing requirement.

Memorandum Account: These accounts are not part of the Council’s formal statutory accounts and are included in the statement for added information.

Non-Domestic Rates (NDR): The rates paid by businesses. The amount paid is based on a rateable value set by the Inland Revenue multiplied by a national rate in the £ set by the Government. The rates are collected by local authorities and paid over to the Government. They are then redistributed on the basis of the resident population.

NDR Pool: The NDR pool is the fund operated by the Government into which all business rates are effectively paid and then from which they are redistributed to local authorities.

Preceptor: Preceptors are other authorities who get their income from the billing authorities in their area. In London there is now a single preceptor, the Greater London Authority (GLA).
The Greater London Authority and its component bodies calculate their total spending needs for the year and the GLA sets its Council Tax in the same way as a London Borough. Each billing authority then collects their tax for them.

Provision: An amount of money set aside in the budget to meet known liabilities that will arise in the future but may not be quantifiable at present.

Provision for Losses on Collection: Local authorities are required to make an allowance for income that is unlikely to be collected. A provision for losses has to be taken into account when calculating the Council Tax levy - see Collection Rate

Prudential Code: This is new system, which plays a key role in capital finance and came into effect on 1st April 2004. It provides local authorities the financial freedom to borrow, provided that such borrowing is prudent, affordable and sustainable.

Rateable Value: The value of a property for rating purposes. The Inland Revenue sets rateable values. The rates payable by an individual business, are calculated by multiplying the rateable value of the property by the rate in the £ set by the Government.

Rate in the £: The rates payable by businesses is calculated by multiplying the rateable value of the property by a rate in the £ expressed in pence. The rate in the £ for 2009/10 was 48.1 pence. The rates payable on a particular property is therefore the rateable value multiplied by the rate in the £.

Recharges: A charge from one account to another to reflect the cost of a service provided. They are included in Service budgets under the heading of "Support Services".

Related Party Transactions: These are material transactions between the Council and other bodies (related parties) such as government departments, preceptors, the Pension Fund and Council funded organisations that must be disclosed in financial statements. In the context of the Statement of Accounts, material transactions between Councillors and Service Heads (and any member of their immediate family or other person living at the same address) with related parties must be disclosed. This includes directorships, employment at a senior level, or significant financial interests in companies or partnerships or voluntary organisations who have material transactions with the Council.

Reserves: The amounts held by way of balances and funds that are free from specific liabilities or commitments.

Revenue Contribution to Capital Outlay (RCCO): The use of revenue monies to pay for capital expenditure - also known as Direct Revenue Financing (DRF).

Revenue Expenditure Funded from Capital Under Statute (REFCUS): – Expenditure which would otherwise have been classified as revenue, but which was classified as capital expenditure for control purposes. Types of deferred charges included items such as financial assistance towards capital investment incurred by other parties, works on properties not owned by the authority and any amounts specifically directed by the Secretary of State for individual authorities.

Revenue Support Grant: The main grant payable to support local authority revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure, and income from the NDR Pool and Council Tax so that, if all local authorities spent in line Council Tax, would be the same throughout the country.

Section 151 Responsibilities: Section 151 of the Local Government Act 1972 (as amended) sets down responsibilities on the Council concerning the appointment of a Chief Financial Officer and the management of its financial affairs.

Service Level Agreements (SLAs): Written "contracts" for internal services to be provided by one Service Head (the provider) to another (the client or user). They set out the service to be provided, the duration, price and conditions of the service, and are agreed before the financial year begins.

Service Support Services Costs: The reallocation of the cost of Service administration over the services provided so as to show the full cost of each function.

Specific Grants: A grant receivable from a Government department that relates to expenditure incurred on providing a particular service e.g. Dedicated Schools Grant (DSG).

Statutory Account: Any account that the Council is, by law, required to keep.

Support Service: A service provided for other Service Heads within the Council rather than direct to the public, including payroll, computing, central personnel and legal services.

Supported Capital Expenditure: Allocations from the Government under the new Prudential Code that replaces the previous system of credit approvals. These allocations enable services to borrow to fund capital schemes, and they will receive revenue funding to pay for the borrowing costs.

Trading Accounts: The profit and loss account of any trading organisation required to be disclosed separately in the Council's accounts.

Transitional Relief: Abatements to Business Rates to mitigate the effects of changes resulting from revaluations.

Transport Supplementary Grant (TSG): Paid by the Government toward the cost of capital works to roads of more than local significance, meeting 50% of approved costs.

Turnover: In the context of the Statement of Accounts, the value of work carried out by a trading organisation.

Ultra Vires: This literally means 'beyond the power'. Local authorities are only allowed to do things for which they have specific legal powers. If they spend money on anything else, this is illegal and is referred to as being 'ultra vires'.

Unsupported Borrowing: Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.

Usable Capital Receipts: The proportion of capital receipts which the Council is able to use for capital spending purposes and which is not required to set aside to redeem debt.

Write-offs: Income is recorded in the Council's accounts on the basis of amounts due. When money owing to the Council cannot be collected the income already shown in the accounts has to be reduced or written off.

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