

Islington Council – Statement of Accounts 2015/16

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Introduction by the Corporate Director of Finance

I have great pleasure in presenting the Statement of Accounts for the year ended 31st March 2016. 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).

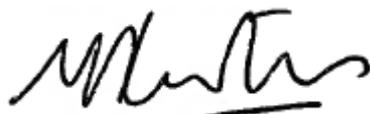
Overview of the Council's finances

The Council's expenditure (revenue and capital) 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 £968m, and in the Note on Capital Expenditure and Financing, you will see that we spent £89m 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 2015/16 this contribution amounted to £74m. This expenditure resulted in a drawdown from general reserves, of just over £2.6m for the year. We financed our investments through external contributions of £23m, contributions from the HRA of £38m, whilst £5m came from revenue sources and £23m from the sale of Council assets.

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 a result of the changes brought by the Accounts and Audit Regulations Act 2015 the inspection period has increased to 30 working days, and this year will run from 1 July 2016 to 12 August 2016. Please note that under the new regulations any questions or objections must be raised with the auditors before the end of the inspection period.



Mike Curtis
Corporate Director of Finance
30th June 2016

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

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Financial Year 2015/16

The Narrative Report 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 the Narrative Report 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 Policies 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 2016, 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 2016.

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

There have been a few minor changes that have affected the Statement of Accounts.

Budget 2015/16

On 25th February 2015, the Council agreed its 2015/16 budget setting a budget requirement of £218.7m. This resulted in a basic amount of band D Council Tax of £981.01 (representing a council tax increase of 1.99%) and a total amount of band D Council Tax (including GLA precept) of £1,276.01.

General Fund Outturn 2015/16

Overall, there was a gross General Fund overspend of £2.6m. However the approved budget assumed a £2.8m contribution from balances, and thus against the original 2015-16 budget there was an underspend of £0.2m

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)	491,136	(402,192)	88,944	85,980	2,964
Environment and Regeneration	125,213	(83,698)	41,515	38,827	2,688
Housing & Adult Social Services	158,514	(71,113)	87,401	86,201	1,200
Public Health	30,066	(28,801)	1,265	285	980
Central Services					
Chief Executive	34,131	(27,620)	6,511	6,840	(329)
Finance & Resources	267,534	(272,854)	(5,320)	(5,294)	(26)
Corporate Items					
Corporate Items	47,235	(262,429)	(215,194)	(212,839)	(2,355)
Gross General Fund Variance	1,153,829	(1,148,707)	5,122	0	5,122
Approved outturn drawdown from earmarked contingency reserve	(2,490)		(2,490)		(2,490)
Net General Fund Variance	1,151,339	(1,148,707)	2,632	0	2,632
Budgeted drawdown from General Fund Balances					2,800
Unbudgeted transfer to General Fund Balances (excluding schools)					0
Unbudgeted transfer to Schools Balances					(168)
Total					2,632

Departmental income and expenditure (including HRA)	Over / (Under-spend) £'000
General Fund over/(under) spend for the year (including schools)	2,632
Housing Revenue Account over/(under) spend for the year	(1,230)
*Net expenditure	1,402

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

Explanation of 2015/16 Variances

The in-year variation (£2.6m net overspend) in the general fund was due to overspends in Children's Services (£2.8m-excluding schools), Housing General Fund (£0.8m), Adult Social Services (£0.4m), Environment and Regeneration (£2.7m), and Public Health (£1.0m), which were partly offset by underspends in Chief Executives Department (£0.3M) and corporate items (£4.8m).

These variances arose due to new and ongoing service cost pressures, partly offset by staffing underspends and increased income. The main overspends and underspends within departments include the following:

- Children's Services – there were significant overspends in children looked after placements (£0.9m), 16 and 17 year olds in supported accommodation (£0.7m), leaving care costs (£0.5m), and unaccompanied asylum seeking children (£0.5m). There were also smaller variations (over and underspends) in areas such as special guardianship, care proceedings and family support, the new remand framework and other support services.
- Housing General Fund – an overspend of £1.1m on temporary accommodation offset by underspends of £0.3m elsewhere in the department.
- Adult Social Care - £0.4m overspend on adult care spot placements
- Environment and regeneration – a £0.5m overspend due to delays in implementing service changes in street environment services. There were also overspends in other areas including unbudgeted spend on new refuse bins and refuse fleet, commercial waste income shortfall, loss of waste disposal authority income, fleet and depot costs, non-delivery of advertising concessions, licensing costs, reduced income from licensing houses in multiple occupation and increased agency and legal costs. There was a small offset from additional parking income, grants, fines, cost recoveries and administrative fees.
- Public Health – overspend due to £1.7m in year cut in public health grant offset by £0.7m underspends throughout the department.
- Chief Executives department - £0.4m underspend due to staffing vacancies in Governance and Human Resources divisions, and additional legal income.
- Corporate items - £6.4m saving from short term borrowing at low interest rates, offset by additional costs arising from No Recourse to Public Funds (£0.9m), support to Environment and Regeneration in respect of licensing costs (£0.5m), bad debt provision (£0.2m) and corporate levies (£0.1m)
- Finance and Resources - £0.7m overspend due to non-achievement of commercial property income target offset by underspends elsewhere.

The 2015-16 budget took account of unavoidable cost increases including demographic pressures mainly in social care and structural pressures in service budgets. The budget also included significant savings proposals, including adult social care community services (through integration and collaboration with the NHS), improvements in housing support commissioning, reducing financial management support costs, school support costs, pensions costs and property management costs. Service budgets are likely to be affected going forward by ongoing cost pressures and risks (including welfare reforms, schools funding reform and conversion to academies etc.) This is discussed further in the Looking Forward section of this report.

Detailed explanations of the Outturn can be found in the 2015-16 Outturn report on the Council's website:

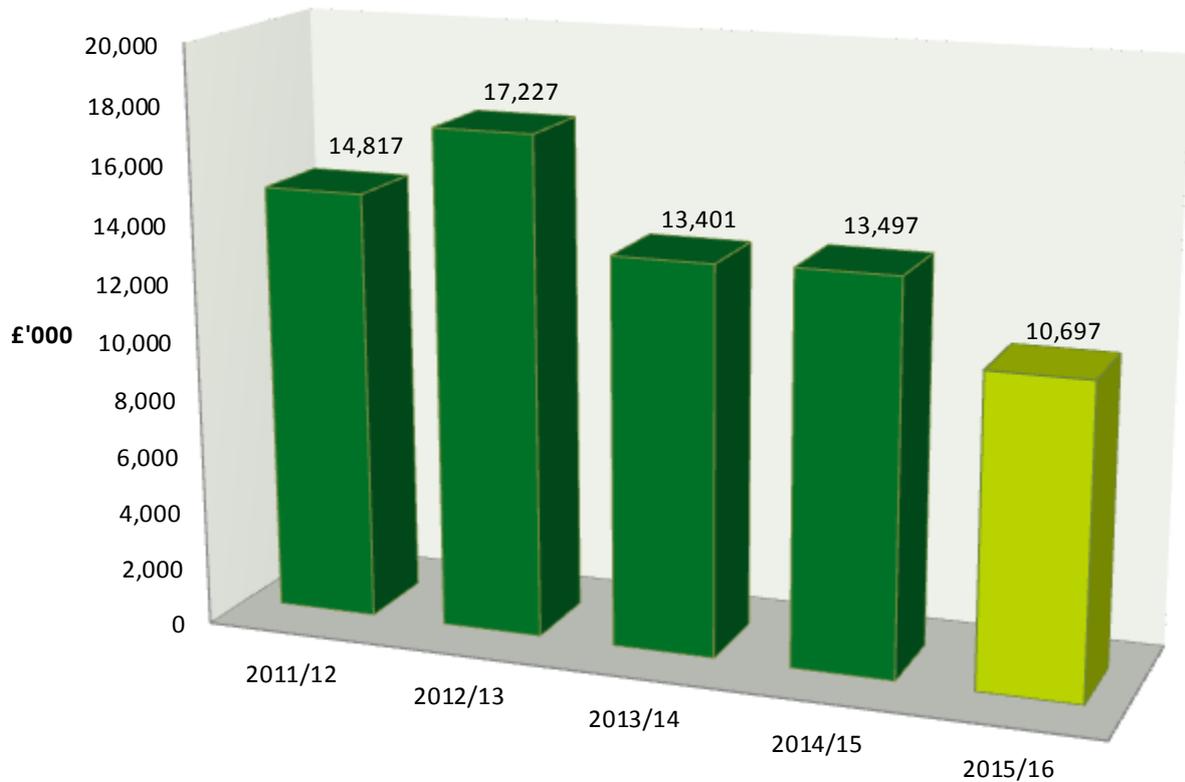
http://democracy.islington.gov.uk/documents/s8078/Provisional%202015-16%20Outturn_Executive%2019.5.16.pdf

General Fund Balances

To maintain its financial strength, the Council currently aimed 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. However from 2016/17 onwards the Council is budgeting to maintain balances at 4% to reflect pressures on the Council's budget and an assessment of budgetary risks. At 31st March 2016 the General

Fund balance (excluding schools) totalled £10.7m (£13.5m at 31st March 2015) and the schools balance totalled £11.5m (£11.4m at 31st March 2015)

General fund balances over the last 5 years are as follows:



Housing Revenue Account 2015/16

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The 2015/16 outturn was a £1.2m underspend, after transfers to earmarked reserves. At 31st March 2016 the HRA balance totalled £14.8m (£13.6m at 31st March 2015).

The main variances included £4m of pressures and other unbudgeted costs (£1.3m to reserves, £0.85m repairs IT system, £0.55m legal disrepair major works and new build costs, and other costs including Rollit House fire, welfare reform support, Finsbury Library area housing office relocation plus general and special management. These were offset by savings and increased income – leaseholder service charges £1.6m, £1.1m additional phone mast income, £0.9m shared ownership rentals and minor savings including additional income from Right to Buy Grant and parking income (less heating charges refunds).

Capital Expenditure and Funding 2015/16

The Council delivered £89.4m of capital expenditure in 2015/16, representing 104% of the initial annual programme. The table below sets out this expenditure by department:

Capital Programme 2015-16 Outturn	2015-16 Capital Budget	2015-16 Capital Expenditure	Re-profiling (to)/from Future Years
		£m	£m
Housing and Adult Social Services	60.1	65.0	(0.5)
Children's Services	9.4	8.9	(0.9)
Environment & Regeneration	16.4	15.5	4.9
Finance and Resources	0.1	0.0	(0.1)
Total Capital Programme	86.0	89.4	3.4

The funding of the 2015/16 capital programme is shown in the table below.

Funding Sources	2015/16 £m
Capital Receipts	22.9
Government Grants and Other External Contributions	23.1
Major Repairs Reserve	37.6
Capital Reserve and Revenue Contributions	5.8
Total Funding	89.4

Net Assets as at 31st March 2016

The Council's Balance sheet shows what the Councils owns and owes at the end of the financial year. This year it shows net assets of £2.7bn, (made up of £3.9bn of Assets and £1.2bn of liabilities). The most significant asset held by the Council is its Property Plant and Equipment portfolio (worth £3.7bn), of which Council dwellings make up £2.9bn. The largest liability facing the Council is in relation to the Pension Scheme (£643m) and more details of this are given later in this Narrative Statement as well as the plans to overcome this liability. In addition there is also a long term liability of £160m relating to the Council's PFI or similar schemes and is payable over the next 16 years. Further details can be found in Note 30. There were no material assets added this year or significant new liabilities incurred.

In terms of current assets (amounts due within 12 months), the Council had £54.7m of Short Term Debtors (£62.6m 2014/15). Nearly £18m was owed by Central government and other public sector bodies mainly for grants and reimbursements. The other debtors relate to Council Tax, NNDR and Parking debts. This debtors figure is net of the £50m Bad debt provision to allow for uncollectable debts, although the Council makes every effort to recover outstanding debts it is still prudent to set money aside. On the other hand the Council also had of short term creditors of £91.1m (£95.3m 2014/15). The largest of these related to Central government and other public sector bodies of £30.7m. Short term PFI creditors amounted to £7.4m.

Borrowing and Investments 2015/16

As at 31 March 2016, the Council had £80.8m of temporary investments. These investments were for periods from overnight to one year at an average rate of 0.55%. The total long term debt is now £268.8m (£219m from the Public Works Loan Board, £46.5m from other local authorities and a £3.6m commercial loan) compared to £285.4m at 31 March 2015. The average rate of interest on debt has increased from 4.32% in March 2015 to 4.46% in March 2016. This increase is mainly due to replacement debt being of longer periods at slightly higher rates.

During the financial year the Council complied within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement.

Treasury Management Cashflow

2014/15 £'000	Treasury Management Cashflow	2015/16 £'000
470	Cash and Cash Equivalents	16,369
77,105	Short Term Investments	68,179
77,575	Total Cash and Cash Equivalents	84,548

Total cash and cash equivalents at 31 March 2016 are £16.4m. The main factors that would affect cash in the future are:

- Acquisitions and disposals relating to the capital programme
- The value of the reserve balances
- Appeals provisions
- Grants and contributions unapplied

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 (£10,986k at 31st March 2016) 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 which have been submitted against the Council since then and which 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, Municipal Mutual Insurance (MMI). In 1992/93 MMI 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.

Material Events after the reporting date

There are no material events after the reporting date not disclosed elsewhere. On 23 June the UK voted to leave the European Union. At the time of writing the consequences upon the Council were unquantifiable.

Significance of the Pensions Liability

The estimated pensions liability facing the Council is £570.3m at the end of the financial year (£643.3m in 2014/15). This liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £570.3m 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 2017 is £32.6m.

Looking forward

On 25th February 2016, the Council agreed its budget for 2016/17 and set a budget requirement of £211.2m. This resulted in a basic amount of band D Council Tax of £1,020.15 (representing a council tax increase of 1.99% plus a 2% additional precept for social care) and a total amount of band D Council Tax (including GLA precept) of £1,296.15.

Planned Revenue Expenditure	2015/16 £m
Departments	
Children's Services	75,682
Chief Executive	3,678
Environment and Regeneration	34,642
Finance and Resources	2,098
Housing and Adult Social Services	85,518
Public Health	0
Corporate and Democratic Core / Non-Distributable Costs	15,129
Net Cost of Services	216,747
Net Corporate Items	(180)
Net Operating Expenditure	216,567
Other Budget Items	
Transfer to / (from) Reserves	12,555
New Homes Bonus (net of estimated top-slice to London Local Enterprise Partnership)	(15,251)
Other Corporate Grants (Estimate)	(2,709)
Amount to be met from core government funding, retained business rates and council tax	211,162

The Council has had to make £150m of savings between 2011 and 2016 to balance its budget and the 2015-16 budget included savings of £24m (£13m to cover cuts in government funding and £11m to cover unavoidable cost increases due to inflation and demographic factors). Following the 2016/17 local government finance settlement and indicative funding allocations for future years to 2019/20, the Council is expecting to have to make total savings of £73m in the 4 years to 2020. The medium term situation remains uncertain with the risk of further cuts by 2020, and beyond, along with the phasing out of revenue support grant meaning that the Council will rely on retained business rates, council tax and other income. In particular the Council is likely to be affected by the following changes in the next few years:

- Housing – the Council is expected to be required to sell high value properties when they become vacant to finance the extension of right to buy to housing association tenants, payments will be made up front to the government reflecting the expected capital receipts from these sales. It is expected this could lead to a significant reduction in social housing stock over the next few years. The 1% a year reduction in social rents will also reduce income to the housing revenue account
- Welfare – reductions in welfare benefits are likely to lead to an increase in homelessness and continuing pressure on temporary accommodation and other housing support
- Business Rates – the move to 100% retention of business rate income by councils nationally will increase financial risks and uncertainties, including the impact of appeals.
- Health and Social Care – the new power in 2016-17 and subsequent years to raise an additional 2% precept on council tax to fund adult social care will raise an additional £1.5m a year for the council. In addition the council will receive up to £11m additional Better Care funding by 2020, however this is unlikely in the short term at least to be sufficient to meet demographic and other pressures affecting social care.

The ability to fund public health programmes to prevent and reduce longer term costs will be impacted by ongoing reductions in public health grant in the next few years.

- Schools – the council is likely to be adversely affected by changes to school funding following the introduction of a national funding formula in 2017.
- Accounting changes – the changes arising from the new Infrastructure Code will lead a prospective change in the valuation of many elements of the assets currently held as Infrastructure Assets. The relevant assets will in future be valued at the current cost of replacement rather than the original cost of the works. This will lead to an increase in the value of these assets. It is difficult at this stage to estimate the likely increase in valuation. Furthermore, there will be an increased annual depreciation charge as a result of this increased valuation.

The Council also agreed a capital programme of £368m over the three years from 2016/17 to 2018/19 as shown below. This includes the continuation of existing programmes of investment in new homes, housing major works and improvements and adult services (£272m), school buildings and children’s services (£35m), environmental services (£57m).

Capital Programme 2016/17 to 2018/19	2016/17	2017/18	2018/19	Total
	£'000k	£'000k	£'000k	£'000k
Housing & Adult Social Services	60,404	102,946	108,177	271,527
Children's Services	29,891	5,559	0	35,450
Environment and Regeneration	26,928	18,724	10,973	56,625
Finance & Resources	1,500	1,500	1,500	4,500
Total Capital Programme	118,723	128,729	120,650	368,102

Corporate information summary

The final section of the narrative report provides further information on Islington including key facts and figures, performance information, local environment, staff resources and the key risks that the Council faces:

Islington facts and figures

- Total population of the borough is approximately 224,000 – 38,000 under 18 and 20,000 over 65
- Islington is the most densely populated borough in England
- Islington is the 26th most deprived borough in England, with child and pensioner poverty levels amongst the highest in the country
- 96.3% of all council tax and 99% of business rates due was collected in 2015
- Over 2 million visits to leisure centres and over 1 million visits to libraries
- 32% of household waste composted or recycled in 2015.
- 92% of school leavers under 18 in education or training or employment

Islington council performance and priorities

Islington Council has a number of key priorities and achievement of these (including whether targets met or not) is measured by corporate performance indicators. These are set out in the council’s corporate plan and annual report but some of the key ones include:

- Supporting older and disabled adults and protecting vulnerable adults – 83.9% of older and disabled adults needing care were supported by enablement services and 31.4% received direct payments. 125 adults were permanently admitted to residential and nursing care.

- Services to children and young people – 644 2 year old places were provided to those in greatest need and 83% of under fives were registered at Children’ centres. During the year there were 354 children looked after, 171 with a child protection plan and 30 foster carers recruited. Also, 92% of school leavers under 18 were in education and training..
- Community safety – 192 serious youth violence offences were recorded, compared to 90 first time youth justice entrants and 26 repeat offenders. 42 victims were identified and supported during the year.
- 1023 people were supported into paid work during the year – of these 389 were parents, 237 were young people and 43 with disabilities.
- Boiler replacements were carried out in 680 households (276 older and disabled) and 230 homes were insulated (75 older and disabled).
- Clean and safe environment – 32.1% of household waste was recycled and composted, there was an average of 380 missed refuse collection visits each month.
- Customer service – Contact Islington handled 199,897 requests face to face and 526,993 over the phone, as well as 119,267 E account transactions. 97% of calls were “handled well”.
- Housing – 396 affordable homes were built, 117 severe overcrowding cases dealt with, and 170 households in social housing were downsized. 90.3% of repairs were right first time and 1.8% of tenants had rent arrears
- Public Health – MMR vaccination rates were 95.4% for 2 year olds and 91.6% for 5 year olds, 15% of people were health checked, 884 stopped smoking, and 4,442 were treated for depression.

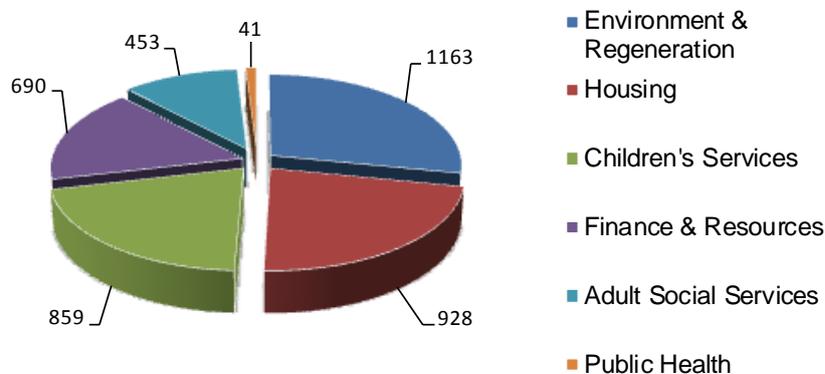
The council will continue to focus on and monitor these priorities in 2016-17. A particular priority is supporting services for young people and £500k additional funding has been allocated in the 2016-17 budget for this. Environmental issues including air quality and energy saving are another area of concern, the Council is making use of solar energy by installing photovoltaic (PV) facilities on key council buildings including 222 Upper Street, Sobell Centre and the waste and recycling centre.

Staffing

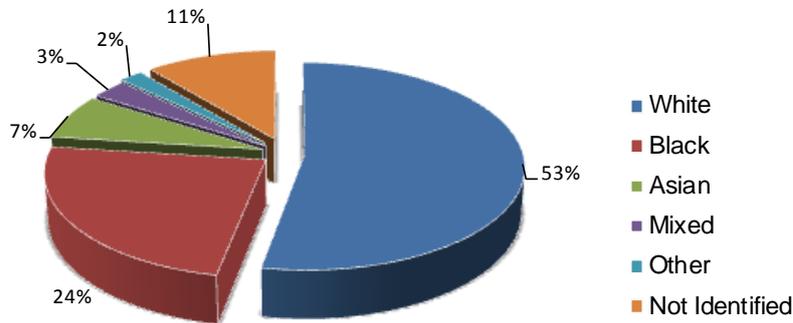
The Council has a large and diverse workforce and is one of the largest employers in the borough. Details of staff numbers by department, age, gender, ethnicity and disability are included below:

Staff numbers at October 2015 (full time equivalents) were 4468 excluding schools (2594 within schools), broken down as follows:

By department:



By ethnicity:



Key risks

The council maintains a corporate risk register identifying the key risks the council faces, along with likely impact and actions taken to mitigate risks, these include:

- Failure to achieve planned savings and service improvements in adult social care – could compromise safety of clients and carers, mitigated by evaluation framework, less administration, more user contact.
- Failure to maintain an effective housing repairs service – risks around transition to in house and IT systems, mitigated by IT enhancements and learning from mistakes.
- Increase in homelessness and use of temporary accommodation – including affordability, quality and adequacy of accommodation, mitigated by improving procurement and monitoring of costs.
- Failure to achieve medium term financial strategy – risks around savings targets and reviewing their achievement, mitigated by more rigorous monitoring of targets and use of risk ratings.
- Negative financial impact of welfare reform on residents and council services – including benefits cap cut, increased homeless, ongoing benefit cuts – mitigated by better forecasting and treating risks.
- Failure to safeguard vulnerable adults from abuse or harm – linked to social work practices and awareness, mitigated by strengthening social work support, service delivery, early warning systems
- Failure to safeguard children effectively – including protecting, identifying and responding to children at risk – mitigated by maintaining support and improving social worker recruitment and training.
- Serious fraud (including bribery and corruption) affecting the council linked to organisation change, lack of due diligence in recruitment, leading to reputational issues- mitigate by anti fraud strategy and raising awareness.

Most of these risks are stable in terms of likelihood or impact, although some including welfare reforms, emergency response, terrorism and fraud are an increasing or emerging concern. There are also risks specific to services monitored at service level, including those arising from funding reductions or increased uncertainty.

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 2015/16 (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 2016 and income and expenditure for the year ending on that date.



Mike Curtis, Corporate Director of Finance
30th June 2016

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 2015, at the conclusion of the Audit, expected September 2016.

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 2015/2016	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 Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2015	24,859	59,515	13,543	13,661	58,389	73,983	6,009	249,959	2,343,651	2,593,610
Movement in reserves during 2015/16										
Surplus or (deficit) on the provision of services	(33,057)	-	35,675	-	-	-	-	2,618	-	2,618
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	0	164,196	164,196
Total Comprehensive Income and Expenditure	(33,057)	0	35,675	0	0	0	0	2,618	164,196	166,814
Adjustments between accounting basis & funding basis under regulations (Note 17)	38,475	-	(13,157)	-	11,391	(6,102)	(6,009)	24,598	(24,599)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	5,418	0	22,518	0	11,391	(6,102)	(6,009)	27,216	139,598	166,814
Transfers to/(from) Earmarked Reserves (Note 38)	(8,050)	8,050	(21,288)	21,288	-	-	-	0	-	0
Increase/ (Decrease) in 2015/16	(2,632)	8,050	1,230	21,288	11,391	(6,102)	(6,009)	27,216	139,598	166,814
Balance at 31 March 2016 carried forward	22,227	67,565	14,773	34,949	69,780	67,881	0	277,175	2,483,249	2,760,424

Movement in Reserves 2014/2015	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 2014	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 during 2014/15										
Surplus or (deficit) on the provision of services	(51,310)	-	75,318	-	-	-	-	24,008	-	24,008
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	0	337,025	337,025
Total Comprehensive Income and Expenditure	(51,310)	0	75,318	0	0	0	0	24,008	337,025	361,033
Adjustments between accounting basis & funding basis under regulations (Note 17)	47,076	-	(70,978)	-	25,613	20,027	(1,143)	20,595	(20,595)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,234)	0	4,340	0	25,613	20,027	(1,143)	44,603	316,430	361,033
Transfers to/(from) Earmarked Reserves (Note 38)	4,807	(4,807)	(4,874)	4,874	-	-	-	0	-	0
Increase/ (Decrease) in 2014/15	573	(4,807)	(534)	4,874	25,613	20,027	(1,143)	44,603	316,430	361,033
Balance at 31 March 2015 carried forward	24,859	59,515	13,543	13,661	58,389	73,983	6,009	249,959	2,343,651	2,593,610

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.

2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000
7,132	(3,847)	3,285	Central Services to the Public	7,925	(4,383)	3,542
17,107	(3,117)	13,990	Cultural and Related Services	17,037	(3,841)	13,196
13,029	(5,041)	7,988	Planning Services	14,374	(10,625)	3,749
36,593	(6,763)	29,830	Environmental & Regulatory Services	39,696	(9,498)	30,198
49,442	(35,271)	14,171	Highways, Roads and Transport Services	47,723	(35,373)	12,350
255,652	(227,143)	28,509	Housing Services	247,322	(219,759)	27,563
139,169	(202,954)	(63,785)	Housing Revenue Account (HRA)	174,977	(211,788)	(36,811)
89,216	(19,079)	70,137	Adult Social Care	91,037	(23,880)	67,157
27,982	(28,136)	(154)	Public Health	30,035	(28,808)	1,227
301,143	(203,074)	98,069	Children & Education	302,505	(213,841)	88,664
3,725	-	3,725	Corporate and Democratic Core	3,495	-	3,495
3,345	-	3,345	Non Distributed Costs	1,534	-	1,534
943,535	(734,425)	209,110	Net Cost of Services	977,660	(761,796)	215,864
45,644	(48,411)	(2,767)	Other Operating expenditure	33,422	(38,824)	(5,402)
57,485	(11,359)	46,126	Financing and investment income and expenditure	55,595	(9,266)	46,329
-	(276,479)	(276,479)	Taxation and non-specific grant income	-	(259,409)	(259,409)
		(24,010)	(Surplus) or Deficit on Provision of Services			(2,618)
		(505,050)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(67,091)
		-	(Surplus) or deficit on revaluation of available for sale financial assets			-
		168,027	Actuarial (gains) or losses on pension assets / liabilities			(97,105)
		(337,023)	Other Comprehensive Income and Expenditure			(164,196)
		(361,033)	Total Comprehensive income and Expenditure			(166,814)

2014/15 £'000	Reconciliation of the General Fund Balance and Comprehensive Income and Expenditure	2015/16 £'000
(24,010)	Surplus or Deficit on Provision of Services (as reported above)	(2,618)
23,904	<i>Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 17)</i>	(25,318)
(534)	<i>less HRA Balance</i>	1,230
67	<i>Transfer to/from Earmarked Reserves</i>	29,338
(573)	Movement on General Fund balance	2,632
(24,286)	General Fund balance brought forward (as per MiRs)	(24,859)
(24,859)	General Fund balance carried forward	(22,227)
(13,495)	- which relates to General Fund	(10,697)
(11,364)	- which relates to Schools	(11,530)

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 2015 £'000	Balance Sheet	31 March 2016 £'000	Notes
3,710,549	Property, Plant & Equipment	3,760,882	21
487	Heritage Assets	487	25
12,501	Investment Property	19,450	22
64	Intangible Assets	-	23
-	Long Term Assets Held for Sale	-	24
680	Long Term Investments	720	32
12	Long Term Debtors & Prepayments	10	32
3,724,293	Total Long-Term Assets	3,781,549	
77,105	Short Term Investments	68,179	32
349	Short Term Assets Held for Sale	-	24
962	Inventories	806	36
62,582	Short Term Debtors	54,695	35
470	Cash and Cash Equivalents	16,369	41
141,468	Total Current Assets	140,049	
(95,346)	Short Term Creditors	(91,624)	34
(45,511)	Short Term Borrowing	(14,553)	32
(20,069)	Cash and Bank Overdrawn	(23,101)	41
(3,797)	Short Term Provisions	(5,262)	37
(14,717)	Short Term Grants Receipts in Advance	(14,946)	50
(179,440)	Total Current Liabilities	(149,486)	
(14,383)	Long Term Provisions	(12,647)	37
(263,388)	Long Term Borrowing	(257,776)	32
(643,309)	Liability Related to Defined Benefit Pensions Scheme	(570,339)	48
(154,408)	Other Long Term Liabilities	(144,830)	32
(17,223)	Long Term Grants Receipts in Advance	(26,096)	50
(1,092,711)	Total Long Term Liabilities	(1,011,688)	
2,593,610	Net Assets	2,760,424	
249,959	Usable Reserves	277,175	39
2,343,651	Unusable Reserves	2,483,249	40
2,593,610	Total Reserves	2,760,424	

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.

2014/15 £'000	Cash Flow Statement	2015/16 £'000
24,010	Net surplus or (deficit) on the provision of services	2,618
104,175	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	116,738
(63,611)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(57,636)
64,574	Net cash flows from Operating Activities (Note 42)	61,720
(81,525)	Investing Activities (Note 43)	(7,276)
4,746	Financing Activities (Note 44)	(41,577)
(12,205)	Net increase or (decrease) in cash and cash equivalents	12,867
(7,394)	Cash and Cash equivalents at the beginning of the reporting period	(19,599)
(19,599)	Cash and cash equivalents at the end of the reporting period (Note 41)	(6,732)

Notes to the Accounts (including pension disclosures)

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its financial position at the year-end of 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally 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 the 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 readily 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 non-current 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, revaluation and impairment losses or amortisation. 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 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 in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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 schemes are therefore accounted for as if they 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 3.7% (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:

Service Cost comprising:

- 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 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 (asset) 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 (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) 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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to 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, 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 Financing & Investment Income line in 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 relevant service or Financing & Investment Expenditure line in the Income and Expenditure Statement. 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.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

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 Available for Sale 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 through 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 (Provisions, Contingent Liabilities & Contingent Assets) 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, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until 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 2015/16 (and another commencing in 2016/17) 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. Community Infrastructure Levy

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

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

xv. 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 Council'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, 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 Council'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.

xvi. 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 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.

xvii. Interests in Companies and Other Entities

The Council has one wholly owned subsidiary Islington Company, company no. 05303559. The accounts for this, when material, are consolidated into the Council's accounts to form Group Accounts for the Council.

xviii. 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.

xix. 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, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

xx. Jointly Controlled Operations and Jointly Controlled Assets

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

xxi. 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.

The Council as Lessee

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).

The Council as Lessor

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.

xxii. 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 is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.. Expenditure that 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 is 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 – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council’s housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant’s perspective
- Vehicles, Plant and Equipment (VPE) – depreciated historic cost is used as a proxy for fair value
- Infrastructure, Community Assets and Assets under Construction – Depreciated historical cost.
- 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).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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).

Depreciation is calculated on the following bases:

- Dwellings and 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 previous 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 remains within 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 Non-Current Assets 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.

xxiii. 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.

The Non current assets recognised on the Balance Sheet are 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 ((the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xxiv. 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.

xxv. 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.

xxvi. 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.

xxvii. 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.

xxviii. 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 2015/16* (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 Expenditure on Continuing Services.

xxix. Carbon Reduction Commitment

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them 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 Council's services and is apportioned to services on the basis of energy consumption.

xxx. Schools

The Code of Practice on Local Authority Accounting in the United Kingdom confirms that the balance of control for local authority maintained schools (ie those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements (and not the Group Accounts). Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the Council.

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 2014/15 Statement of Accounts were identified.

4. Accounting Standards Issued, Not Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010 – 2012 Cycle
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs 2012 – 2014 Cycle

The changes being introduced as a result of the above are minor and not expected to have a material effect on the Council's Statement of Accounts.

Another two changes, namely:

- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis

will result in changes to the format of the Comprehensive Income and Expenditure Statement (CIES), the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the "Telling the Story" review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative. This will mean that the CIES will be presented according to the Management structure of the Council, as opposed to the current prescribed Sercop lines. The actual income and expenditure will not change.

In addition, the changes arising from the new Infrastructure Code will lead a prospective change in the valuation of many elements of the assets currently held as Infrastructure Assets. The relevant assets will in future be valued at the current cost of replacement rather than the original cost of the works. This will lead to an increase in the value of these assets. It is difficult at this stage to estimate the likely increase in valuation. Furthermore, there will be an increased annual depreciation charge as a result of this increased valuation.

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.
- The Council wholly owns a trading vehicle, Islington Company (ICo) and this falls within the group boundary of the Council on the grounds of control and significant influence in line with the Code. However, the turnover and assets, and hence the council's interest, are not material to warrant producing consolidated financial statements.
- The Council recognises school assets for Community Schools on its Balance Sheet. The Council has not recognized assets relating to Academies, Voluntary aided, Voluntary Controlled or Free Schools, as it is of the opinion that these assets are not controlled by the Council.

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 2016 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 longevity increased by 1 year the net liabilities would increase by £31.4m.

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 1 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £116m.

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 £4.97m 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 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 12 of these as Finance Leases is that £14.9m of assets have been included in the Balance Sheet. A further 26 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.

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 £50.0m 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 £1.1m to the provision needed.

7. Material Items of Income and Expenditure

In 2015/16 there were no significant individual items of Income or Expenditure. In 2014/15 a revaluation gain of £505m on Council dwellings was accounted through the Revaluation Reserve.

8. Acquired and Discontinued Operations

None in 2015/16 and 2014/15.

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.

2014/15		Significant Trading Operations	2015/16	
(Surplus) / Deficit	Turnover		(Surplus) / Deficit	Turnover
£'000	£'000		£'000	£'000
(602)	(439)	Industrial Estates / Commercial Properties	(566)	(795)
(169)	(799)	Street Markets	22	(686)
983	(8,965)	Other (mainly central support costs)	734	(7,191)
212	(10,203)	Total	190	(8,672)

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 £1.349m for this arrangement in 2015/16.

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 2014/15 or 2015/16.

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 2015/16, eight 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.
- 8) *Better Care Fund*: to drive the transformation of local services to ensure that people receive better and more integrated care and support. The aims and outcomes are the development of a locality offer; enhancing primary care capacity; IT and inter-operability to ensure patient information can be shared; to meet demographic pressures in social care; to maintain social care eligibility; and to incentivise providers to support integrated care.

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). The Better Care Fund is hosted by Islington Clinical Commissioning Group for arrangement 8).

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 2015/16	Gross Expenditure £'000	Contributions				Total Contributions £'000
		Islington Council Contribution £'000	Islington CCG Contribution £'000	Camden & Islington NHS Foundation Trust Contribution £'000	Whittington Hospital NHS Trust Contribution £'000	
		Learning Disabilities Pooled Fund	29,237	(25,584)	(3,653)	
Intermediate Care Pooled Fund	6,644	(1,927)	(4,679)	-	(38)	(6,644)
Integrated Community Equipment Services Pooled Fund	994	(497)	(497)	-	-	(994)
Mental Health Commissioning Adult Mental Health Care	4,855	(2,668)	(2,187)	-	-	(4,855)
Carers Pooled Fund	892	(809)	(83)	-	-	(892)
MHCOP Pooled Fund	5,784	(3,406)	(2,378)	-	-	(5,784)
Mental Health Care Trust Pooled Fund	23,029	(3,127)	-	(19,902)	-	(23,029)
Better Care Fund	18,388	(1,409)	(16,979)	-	-	(18,388)
Totals	89,823	(39,427)	(30,456)	(19,902)	(38)	(89,823)

Pooled Budgets 2014/15	Gross Expenditure £'000	Contributions				Total Contributions £'000
		Islington Council Contribution £'000	Islington CCG Contribution £'000	Camden & Islington NHS Foundation Trust Contribution £'000	Whittington Hospital NHS Trust Contribution £'000	
		Learning Disabilities Pooled Fund	29,245	(25,658)	(3,587)	
Intermediate Care Pooled Fund	6,442	(1,897)	(4,505)	-	(40)	(6,442)
Integrated Community Equipment Services Pooled Fund	968	(484)	(484)	-	-	(968)
Mental Health Commissioning Adult Mental Health Care	4,913	(2,762)	(2,151)	-	-	(4,913)
Carers Pooled Fund	861	(783)	(78)	-	-	(861)
MHCOP Pooled Fund	5,331	(3,014)	(2,317)	-	-	(5,331)
Mental Health Care Trust Pooled Fund	22,056	(3,059)	-	(18,997)	-	(22,056)
Totals	69,816	(37,657)	(13,122)	(18,997)	(40)	(69,816)

13. Members' Allowances

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

2014/15 £'000	Members' Allowances	2015/16 £'000
489	Basic Allowance	499
325	Special Responsibility Allowance	333
3	Other Allowances	3
817	Total	835

Details of the amounts paid to individual Councillors are published on the Council's website and can be accessed via the following link:

<https://www.islington.gov.uk/about-the-council/funding-and-spending/members-allowances>

14. Officers' Remuneration

Senior Officers' Remuneration

The tables below show Senior Officers' remuneration for 2015/16 and 2014/15.

Senior officers remuneration for 2015/16	Salary (Including fees & allowances)	Compensation for loss of employment	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Post	£	£	£	£	£
Chief Executive - Lesley Seary	160,000	-	160,000	20,000	180,000
Assistant Chief Executive - Governance & HR	115,451	-	115,451	14,431	129,882
Assistant Chief Executive - Strategy & Community Partnerships	110,451	-	110,451	13,806	124,257
Corporate Director of Children's Services (0.7 fte)**	93,922	-	93,922	-	93,922
Corporate Director of Children's Services**	12,241	-	12,241	1,530	13,772
Corporate Director of Environment & Regeneration	134,480	-	134,480	16,810	151,290
Corporate Director of Housing & Adult Social Services	129,741	-	129,741	16,218	145,959
Corporate Director of Finance	134,463	-	134,463	-	134,463
Corporate Director of Public Health *	115,134	-	115,134	16,464	131,598
Total	1,005,883	0	1,005,883	99,260	1,105,143

** The previous Corporate Director of Children's Services left on 31st December 2015 and was replaced by the new Corporate Director on 29th February 2016.

Senior officers remuneration for 2014/15	Salary (Including fees & allowances)	Compensation for loss of employment	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Post	£	£	£	£	£
Chief Executive - Lesley Seary	160,000	-	160,000	20,000	180,000
Assistant Chief Executive - Governance & HR	115,451	-	115,451	14,431	129,883
Assistant Chief Executive - Strategy & Community Partnerships	110,451	-	110,451	13,806	124,257
Corporate Director of Children's Services (0.7 fte)	101,500	-	101,500	-	101,500
Corporate Director of Environment & Regeneration	134,480	-	134,480	16,810	151,290
Corporate Director of Housing & Adult Social Services	129,790	-	129,790	16,218	146,008
Corporate Director of Finance	134,463	-	134,463	-	134,463
Corporate Director of Public Health *	115,135	-	115,135	16,119	131,254
Total	1,001,270	0	1,001,270	97,384	1,098,654

* 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.

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

The General Election in 2015/16 led to senior officers receiving payments for work on behalf of the Returning Officer. As payments for work on behalf of the Returning Officer are not made directly by the Council itself, these payments are not part of the Council's remuneration payments to senior officers reported in the tables above. The fees paid to senior officers for work on behalf of the Returning Officer 2015/16 were:

Post	General Election Role	Fees Received (£)
Chief Executive - Lesley Seary	Returning Officer	6,608
Assistant Chief Executive - Governance & HR	Deputy Returning Officer	4,000
Assistant Chief Executive - Strategy & Community Partnerships	Count Supervisor	250
Corporate Director of Housing & Adult Social Services	Count Supervisor	250
Corporate Director of Finance	Count Superintendent	300
Corporate Director of Public Health*	Count Supervisor	250
Total		11,658

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	2014/15		2015/16	
	Schools	Other	Schools	Other
	No of employees	No of employees	No of employees	No of employees
£50,000 - £54,999	127	121	121	102
£55,000 - £59,999	82	52	80	85
£60,000 - £64,999	34	41	47	44
£65,000 - £69,999	23	20	20	30
£70,000 - £74,999	23	9	16	11
£75,000 - £79,999	12	7	12	10
£80,000 - £84,999	13	20	10	14
£85,000 - £89,999	11	1	12	5
£90,000 - £94,999	4	4	5	3
£95,000 - £99,999	2	1	3	2
£100,000 - £104,999	1	5	2	4
£105,000 - £109,999	-	1	-	3
£110,000 - £114,999	2	7	1	4
£115,000 - £119,999	2	1	-	1
£120,000 - £124,999	-	1	3	1
£125,000 - £129,999	-	2	-	-
£130,000 - £134,999	1	-	1	-
£135,000 - £139,999	-	-	-	1
£140,000 - £144,999	-	-	1	-
£145,000 - £149,999	-	-	-	-
over £150,000	-	2	1	-
Total	337	295	335	320

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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £'000	2015/16 £'000
£0 - £20,000	57	27	73	79	130	106	1,066	936
£20,001 - £40,000	3	3	28	31	31	34	805	910
£40,001 - £60,000	2	-	4	5	6	5	278	242
£60,001 - £80,000	1	-	5	3	6	3	430	230
Over £80,000	1	3	5	16	6	19	831	2,182
Total	64	33	115	134	174	167	3,410	4,500
Other costs associated with Termination Benefits							443	1,257
Total Termination Benefits							3,690	5,757

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 2015/16 cost of termination benefits of £5.757m includes £1.372m 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 £1.26m other costs associated with termination benefits in 2014/15 relate to additional costs incurred relating to 2014/15 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 2016 are shown in Note 50.

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 2015/16 are disclosed in note 13.

Significant Related Party transactions are detailed in the following table:

Related Parties		Income Received 2015/16	Payments Made 2015/16	Balance out- standing @ 31/03/16
Organisation	Nature of Relationship	£'000	£'000	£'000
Members/Chief Officers				
Voluntary Organisations	1 chief officer, 5 members and 1 close relative of a member's family are involved in management of voluntary organisations.	91	448	-
Community Groups	1 chief officer, 1 close relative of a chief officer's family and 14 members are involved in management of community groups.	26	1,358	3
Housing Associations	1 close relative of a chief officer, and 2 close relatives of members are involved in the management of housing associations.	3	2,445	-
Universities, Colleges & Schools	2 chief officers, and 3 members are involved in the management of universities, colleges or schools.	63	456	(6)
North London Waste Authority	2 Members are board members of this organisation.	990	8,707	(1)
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.	29,407	17,003	3,576
Local authority - Camden	The Council transacts with other local authorities - Camden is the main authority that LBI transacts with.	4,308	1,351	(511)
Other Public Bodies	2 members and 1 close relative of a member's family are involved in the management of other public bodies	1	110	1
Entities Controlled or Influenced by the Authority				
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.	13	14,389	(87)
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.	311	254	171
Subsidiaries	iCo is a wholly owned subsidiary of the council. 2 Members and 4 Chief Officers are on the board of this organisation.	36	51	(31)
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.	1,159	28,581	(1,112)
London Capital Credit Union	Member owned not for profit savings and loans co-operative. The Council has contributed a grant of £250k to this organisation, and has committed to provide further revenue support funding.	-	50	-

16. Fees payable to the Appointed Auditor

In 2015/16, Islington Council incurred the following fees relating to external audit:

2014/15 £'000	Audit Costs	2015/16 £'000
270	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	203
34	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	25
-	Fees payable in respect of other services provided by the appointed auditor during the year	46
304	Total Audit Cost	274

The £46,000 for other services provided by the appointed auditor are mainly the costs of dealing with issues raised by local electors through the Public Inspection of Accounts.

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.

2015/16 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(33,068)	(45,785)	-	-	-	78,853
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	0
Movement in the fair value of Investment Properties	2,020	-	-	-	-	(2,020)
Amortisation of intangible assets	(35)	(28)	-	-	-	63
Capital grants and contributions applied	11,695	3,658	-	-	-	(15,353)
Income in relation to donated assets	-	-	-	-	-	0
Revenue expenditure funded from capital under statute	(4,506)	-	-	-	-	4,506
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	(2,581)	(15,769)	-	-	-	18,350
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	4,254	-	-	-	-	(4,254)
Repayment of lease / PFI liabilities	2,511	6,191	-	-	-	(8,702)
Capital expenditure charged against the General Fund and HRA	5,282	-	-	-	-	(5,282)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	6,009	(6,009)
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	2,400	36,297	(38,697)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	22,867	-	-	(22,867)
Use of capital receipts to fund disposal costs	-	(461)	461	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(3,978)	-	3,978	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	0

2015/16	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 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						
Transfer of Depreciation to the Major Repairs Reserve	-	23,039	-	(23,039)	-	0
Additional Contributions from the HRA	-	8,451	-	(8,451)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	37,592	-	(37,592)
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	-	(87)	-	-	-	87
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)	(55,503)	(5,530)	-	-	-	61,033
Employer's pensions contributions and direct payments to pensioners payable in the year	33,688	3,212	-	-	-	(36,900)
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	(1,207)	-	-	-	-	1,207
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	553	(32)	-	-	-	(521)
Total Adjustments	(38,475)	13,157	(11,391)	6,102	6,009	24,599

2014/15	Usable Reserves					Movement in
Adjustments between Account Basis and Funding Basis under Regulations	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(50,530)	(21,192)	-	-	-	71,722
Revaluation losses on Property Plant and Equipment	-	-	-	-	-	0
Movement in the fair value of Investment Properties	51	-	-	-	-	(51)
Amortisation of intangible assets	(363)	(86)	-	-	-	449
Capital grants and contributions applied	8,198	6,101	-	-	-	(14,299)
Income in relation to donated assets	-	-	-	-	-	0
Revenue expenditure funded from capital under statute	(3,996)	-	-	-	-	3,996
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	(1,479)	(26,302)	-	-	-	27,781
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	4,269	-	-	-	-	(4,269)
Repayment of lease / PFI liabilities	2,423	5,702	-	-	-	(8,125)
Capital expenditure charged against the General Fund and HRA	12,423	3,281	-	-	-	(15,704)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	856	-	-	-	(856)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	1,999	(1,999)
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	427	48,693	(49,120)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	11,886	-	-	(11,886)
Use of capital receipts to fund disposal costs	-	(664)	664	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(10,957)	-	10,957	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	0

2014/15	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 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						
Transfer of Depreciation to the Major Repairs Reserve	-	21,278	-	(21,278)	-	0
Additional Contributions from the HRA	-	34,580	-	(34,580)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	35,831	-	(35,831)
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)	(45,737)	(3,889)	-	-	-	49,626
Employer's pensions contributions and direct payments to pensioners payable in the year	31,409	3,612	-	-	-	(35,021)
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	5,411	-	-	-	-	(5,411)
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	519	(20)	-	-	-	(499)
Total Adjustments	(47,076)	70,978	(25,613)	(20,027)	1,143	20,595

18. Other Operating Expenditure

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

2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000	Other Operating Expenditure	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000
7,558	-	7,558	Levies	11,108	-	11,108
10,957	-	10,957	Payments to the Government Housing Capital Receipts Pool	3,978	-	3,978
27,129	(48,411)	(21,282)	Gains/Loss on the disposal of non-current assets	18,336	(38,824)	(20,488)
45,644	(48,411)	(2,767)	Total	33,422	(38,824)	(5,402)

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:

2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000	Financing and Investment Income and Expenditure	2015/16 Gross Expenditure £'000	2015/16 Gross Income £'000	2015/16 Net Expenditure £'000
31,961	-	31,961	Interest payable and similar charges	30,741	-	30,741
19,485	-	19,485	Net interest on the net defined benefit liability	19,982	-	19,982
-	(367)	(367)	Interest Receivable and similar Income	-	(594)	(594)
(5,027)	-	(5,027)	Income and expenditure in relation to investment properties and changes in the fair value	(4,003)	-	(4,003)
652	(789)	(137)	Gains/Loss on the disposal of investment properties	13	-	13
10,415	(10,203)	212	Trading operations	8,862	(8,672)	190
57,486	(11,359)	46,127	Total	55,595	(9,266)	46,329

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:

2014/15 Gross Income £'000	Taxation and Non Specific Grant Income	2015/16 Gross Income £'000
(70,224)	Council Tax Income	(73,868)
(91,548)	Revenue Support Grant	(66,506)
(57,818)	Business Rates Retained	(56,690)
(19,998)	Top-up Grant	(20,380)
(21,736)	Non-ringfenced government grants	(26,612)
(15,155)	Capital grants and contributions	(15,353)
(276,479)	Total	(259,409)

21. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2015	2,903,509	590,199	31,701	236,544	28,294	8,049	18,297	3,816,593	267,259
Additions	42,063	6,641	4,532	6,194	-	-	23,161	82,591	933
Donations	-	-	-	-	-	-	-	0	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(16,672)	81,557	-	-	-	2,206	-	67,091	(967)
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42,894)	(21,893)	-	-	-	-	-	(64,787)	(6,793)
Derecognition - Disposals	(15,417)	(491)	-	-	-	(2,231)	-	(18,139)	(548)
Derecognition - Other	-	-	-	-	-	-	-	0	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	(3,101)	-	-	-	-	-	(3,101)	-
Other movements in Cost or Valuation	10,075	7,444	-	8	-	(7,934)	(9,593)	0	-
At 31 March 2016	2,880,664	660,356	36,233	242,746	28,294	90	31,865	3,880,248	259,884
Accumulated Depreciation and Impairment									
At 1 April 2015	0	(28,542)	(16,555)	(57,236)	(3,227)	(484)	0	(106,044)	(10,669)
Depreciation charge	(20,181)	(14,354)	(3,788)	(11,389)	-	(1)	-	(49,713)	(6,473)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	-	-	-	-	-	-	0	-
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	20,120	15,979	-	-	-	-	-	36,099	4,112
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	122	30	-	-	-	-	-	152	13
Derecognition - Other	-	-	-	-	-	-	-	0	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	140	-	-	-	-	-	140	-
Other movements in Depreciation and Impairment	-	(482)	-	-	-	482	-	0	-
At 31 March 2016	61	(27,229)	(20,343)	(68,625)	(3,227)	(3)	0	(119,366)	(13,017)
Net Book Value At 31 March 2016	2,880,725	633,127	15,890	174,121	25,067	87	31,865	3,760,882	246,867

Movement in Property, Plant and Equipment - 2014/15	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation									
At 1 April 2014	2,402,598	599,020	24,956	230,456	28,294	17,080	11,579	3,313,983	227,845
Additions	37,522	17,117	6,745	6,088	-	-	12,155	79,627	111
Donations	-	-	-	-	-	-	-	0	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	481,394	5,090	-	-	-	(574)	-	485,910	44,368
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(28,667)	-	-	-	(6,998)	-	(35,665)	(3,606)
Derecognition - Disposals	(24,957)	(466)	-	-	-	(1,459)	-	(26,882)	(1,459)
Derecognition - Other	-	-	-	-	-	-	-	0	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	(380)	-	-	-	-	-	(380)	-
Other movements in Cost or Valuation	6,952	(1,515)	-	-	-	-	(5,437)	0	-
At 31 March 2015	2,903,509	590,199	31,701	236,544	28,294	8,049	18,297	3,816,593	267,259
Accumulated Depreciation and Impairment									
At 1 April 2014	0	(25,713)	(13,307)	(46,090)	(3,227)	(926)	0	(89,263)	(7,787)
Depreciation charge	(19,155)	(12,888)	(3,248)	(11,146)	-	(353)	-	(46,790)	(6,517)
Depreciation written out on revaluations recognised in the Revaluation Reserve	19,139	-	-	-	-	-	-	19,139	-
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	-	9,838	-	-	-	793	-	10,631	3,606
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	168	38	-	-	-	2	-	208	29
Derecognition - Other	-	-	-	-	-	-	-	0	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	31	-	-	-	-	-	31	-
Other movements in Depreciation and Impairment	(152)	152	-	-	-	-	-	0	-
At 31 March 2015	0	(28,542)	(16,555)	(57,236)	(3,227)	(484)	0	(106,044)	(10,669)
Net Book Value At 31 March 2015	2,903,509	561,657	15,146	179,308	25,067	7,565	18,297	3,710,549	256,590

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	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carried at historical cost	0	0	15,890	174,121	25,067	0	31,865	246,943
Valued at fair value as at:								
31 March 2016	2,880,725	252,665	-	-	-	87	-	3,133,477
31 March 2015	-	125,926	-	-	-	-	-	125,926
31 March 2014	-	40,927	-	-	-	-	-	40,927
31 March 2013	-	213,481	-	-	-	-	-	213,481
31 March 2012	-	128	-	-	-	-	-	128
Total Cost or Valuation	2,880,725	633,127	15,890	174,121	25,067	87	31,865	3,760,882

Analysis of Fair Value Measurements	Level 1	Level 2	Level 3	No Level	2015/16
	£'000	£'000	£'000	£'000	£'000
Category					
Investment Properties	-	19,412	39	-	19,450
Surplus Properties	-	78	11	-	89
Assets Held for Sale	-	-	-	-	-
	-	-	-	-	-
Balance as at 31 March	0	19,489	50	0	19,539

Capital Commitments

At 31st March 2016, 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 £77.4m. Similar commitments at 31st March 2015 were £25.3m. The commitments are:

Capital Commitments	31st Mar 2016 £'000
Housing Commitments:	
High Rise Insulation Project	3,766
HSR South 15.16 Phase One	846
BP35 New River Green	919
BP37 Andover - 1a	920
MP35 Leyden / Lochbie Mansions	527
BP43 Pleydell Estate	681
B KB1 15/16 k&b's	599
Rollit House	1,500
cppfa Bramber House	4,888
Moreland School/King's Square	10,665
Ivy Hall/Holly Park Est	4,297
Goodinge Park Com Centre	6,829
Dovercourt Estate	20,251
Other Commitments:	
Combined Heat and Power	4,142
New River College / Dowery Street	8,502
Moreland School and Children's Centre	8,097
Total	77,429

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:

2014/15 £'000	Investment Properties	2015/16 £'000
(555)	Rental income from investment property	(1,287)
224	Direct operating expenses arising from investment property	63
(331)	Net (gain)/loss	(1,224)

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:

2014/15 £'000	Movement in fair value of Investment Properties	2015/16 £'000
8,125	Balance at start of the year	12,501
	<i>Additions:</i>	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
(651)	Disposals	(14)
5,027	Net gains/(losses) from fair value adjustments	4,003
	<i>Transfers:</i>	
-	to/from Inventories	-
-	to/from Property, Plant and Equipment	2,960
-	Other changes	-
12,501	Balance at end of the year	19,450

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.

The carrying amount of Intangible Assets is amortised on a straight-line basis over four years. The amortisation of £64k charged to revenue in 2015/16 was ultimately charged to the service headings in the Net Cost of Services. At 31st March 2016 the Council held no Intangible Assets:

2014/15			Intangible Assets	2015/16		
Internally Generated Assets £'000	Other Assets £'000	Total £'000		Internally Generated Assets £'000	Other Assets £'000	Total £'000
			Balance at start of year:			
-	9,254	9,254	Gross carrying amounts	-	9,254	9,254
-	(8,741)	(8,741)	Accumulated amortisation	-	(9,190)	(9,190)
0	513	513	Net carrying amount at start of year	0	64	64
-	(449)	(449)	Amortisation for the period	-	(64)	(64)
-	-	-	Other changes	-	-	-
0	64	64	Net carrying amount at end of year	0	0	0
			Comprising:			
-	9,254	9,254	Gross carrying amounts	-	9,254	9,254
-	(9,190)	(9,190)	Accumulated amortisation	-	(9,254)	(9,254)
0	64	64	Net carrying amount at end of year	0	0	0

24. Assets Held for Sale

2014/15		Assets Held for Sale	2015/16	
Non Current	Current		Non Current	Current
£'000	£'000		£'000	£'000
0	456	Balance outstanding at start of year	0	349
		Assets newly classified as held for sale:		
-	349	<i>Property, Plant and Equipment</i>	-	-
-	-	<i>Intangible Assets</i>	-	-
-	-	<i>Other assets/liabilities in disposal groups</i>	-	-
-	-	Revaluation losses	-	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
-	-	<i>Property, Plant and Equipment</i>	-	-
-	-	<i>Intangible Assets</i>	-	-
-	-	<i>Other assets/liabilities in disposal groups</i>	-	-
-	(456)	Assets sold	-	(349)
-	-	Transfers from non current to current	-	-
-	-	[Other movements]	-	-
0	349	Balance outstanding at year-end	0	0

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 2015	Heritage Assets	31 March 2016
£'000		£'000
93	Civic Regalia	93
207	Orton Collection	207
175	Sickert Collection	175
12	Fletcher Collection	12
487	Total	487

26. Construction Contracts

As of 31st March 2016 the Council was not undertaking any construction contracts on behalf of third parties, nor were any such construction contracts undertaken as of 31st March 2015.

27. Impairment Losses

No significant impairment losses were charged either in 2015/16 or in 2014/15.

28. Capitalisation of Borrowing Costs

The Council did not capitalise any borrowing costs either in 2015/16 or in 2014/15.

29. Leases

Council as Lessee

The Council has 13 assets acquired under such leases carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2015 £'000	Leased Assets	31 March 2016 £'000
11,367	Other Land and Buildings	14,699
302	Vehicles, Plant, Furniture and Equipment	186
11,669	Total	14,885

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 2015 £'000	Finance lease liabilities (net present value of minimum lease payments):	31 March 2016 £'000
157	Repayment of liability due within one year	83
614	Repayment of liability due after one year	486
1,084	Finance costs payable in future years	1,065
1,856	Total	1,633

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	157	83	194	115
Later than one year and not later than five years	119	114	230	236
Later than five years	495	372	1,432	1,288
Total	771	568	1,856	1,639

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 2015/16 contingent rents payable by the Council in respect of finance leases totalled £0.29m.

Operating Leases

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

31 March 2015 £'000	Operating Leases (Lessee)	31 March 2016 £'000
500	Not later than one year	557
1,781	Later than one year and not later than five years	1,917
1,896	Later than five years	1,682
4,177	Total	4,156

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 2015 £'000	Operating Leases (Lessor)	31 March 2016 £'000
989	Not later than one year	970
3,068	Later than one year and not later than five years	2,841
3,016	Later than five years	2,297
7,073	Total	6,108

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, as shown in paragraph xxiii of Note 1 (Accounting Policies).

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 2014	159,021	49,810	11,227	220,058
Additions	-	111		111
Depreciation & Impairment	(3,634)	(2,180)	(702)	(6,516)
Revaluation	44,368			44,368
Disposal	(1,429)			(1,429)
Other				-
Net Book Value at 31 March 2015	198,326	47,741	10,525	256,592
Net Book Value at 1 April 2015	198,326	47,741	10,525	256,592
Additions	932	-		932
Depreciation & Impairment	(3,723)	(2,048)	(702)	(6,473)
Revaluation	(3,873)	225		(3,648)
Disposal	(535)			(535)
Other				
Net Book Value at 31 March 2016	191,127	45,918	9,823	246,868

¹ Value includes equipment associated with Care Homes arrangement

Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2014	(82,149)	(77,925)	(9,987)	(170,061)
New liability incurred	-	-	-	0
Repayments made in year	5,575	1,850	398	7,823
Value at 31 March 2015	(76,574)	(76,075)	(9,589)	(162,238)
Value at 1 April 2015	(76,574)	(76,075)	(9,589)	(162,238)
New liability incurred	-	-	-	0
Repayments made in year	6,031	2,058	410	8,499
Value at 31 March 2016	(70,543)	(74,017)	(9,179)	(153,739)

The projected payments under the agreements are as follows:

Contracted payments due within:	1 year	2-5 years	5-10 years	10-15 years	15-20 years	Over 20 years
	£ '000	£ '000	£ '000	£ '000	£ '000	£ '000
Care Homes						
Liability	252	715	1,679	3,213	0	
Interest	521	1,947	1,757	656	0	
Service Charges	3,881	16,520	23,082	26,115	0	
Street Lighting						
Liability	456	2,216	4,190	2,318		
Interest	877	3,039	2,359	350		
Service Charges	1,257	5,414	7,483	3,472		
Housing (1)						
Liability	880	2,856	3,248	7,759	6,641	
Interest	2,756	9,991	10,437	7,949	1,351	
Service Charges	7,304	35,126	57,242	64,802	25,633	
Housing (2)						
Liability	5,847	34,372	8,939			
Interest	6,431	16,865	1,169			
Service Charges	18,352	78,580	17,478			
BSF Phase 1						
Liability	1,405	5,958	9,736	12,311	10,553	0
Interest	2,502	9,112	9,065	5,646	1,527	(0)
Service Charges	1,348	6,485	9,102	11,756	9,241	0
BSF Phase 2						
Liability	507	2,602	4,282	6,817	9,417	4,570
Interest	2,651	10,075	11,056	8,612	4,934	630
Service Charges	993	4,173	6,493	7,209	9,967	3,482

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.

2014/15 £'000	Capital Expenditure and Sources of Capital Financing	2015/16 £'000
738,073	Opening Capital Financing Requirement	729,675
<i>Capital Investment</i>		
79,627	Property, Plant & Equipment	82,591
3,995	Intangibles / REFCUS / Other	6,285
<i>Sources of Finance</i>		
(11,886)	Usable Capital Receipts	(22,867)
(16,307)	Capital Grants	(23,144)
(35,831)	Major Repairs Reserve	(37,592)
-	Other Contributions	-
(15,704)	Capital Expenditure charged in-year to Revenue Accounts	(5,282)
<i>Debt Repayment</i>		
(4,269)	Statutory provision for the repayment of debt	(4,254)
(8,023)	Repayment of PFI / Lease liabilities	(8,702)
729,675	Closing Capital Financing Requirement	716,710
<i>Explanation of Movements in Year</i>		
8,398	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	12,965
-	Increase in Obligation arising from PFI contracts	-
-	Assets acquired under finance leases	-
-	Debt repayment	-
8,398	(Increase)/ decrease in Capital Financing Requirement	12,965

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 non-derivative financial liabilities held during the year are measured at amortised cost and comprised

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- cash and bank overdrawn
- finance leases detailed in note 29
- Private Finance Initiative contracts detailed in note 30
- trade payables for goods and services received

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 financial assets held by the Council during the year are held under the following two classifications.

Loans and receivables (financial assets that have fixed or determinable payments and are not quoted in an active market) comprising:

- loans to other local authorities
- loans to a Building for Schools company made for service purposes
- trade receivables for goods and services delivered
- overnight deposit with the Debt Management Office

Unquoted equity investments held at cost because it is impracticable to determine fair value, comprising:

- equity investments in Islington Company a wholly owned subsidiary

Balances on fixed term deposits at 31st March 2016 that are shown under 'cash and cash equivalents' in the Balance Sheet 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.

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 2014/15.

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		Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Investments				
Loans and receivables	680	720	-	-
- short term investments*	-	-	77,105	68,179
- cash equivalents	-	-	-	12,800
- cash	-	-	470	3,569
Available for sale financial instruments	-	-	-	-
Unquoted equity investments at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Total investments	680	720	77,575	84,548
Debtors				
Loans and receivables	12	10	-	-
Financial assets carried at contract amounts	-	-	15,710	18,006
Total Debtors	12	10	15,710	18,006
Borrowings				
Financial liabilities at amortised cost**	263,388	257,776	-	-
- cash and bank overdrawn	-	-	20,069	23,101
- short term borrowing***	-	-	45,511	14,553
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	263,388	257,776	65,580	37,654
Other Long Term Liabilities				
PFI and finance lease liabilities	154,407	144,820	8,615	9,488
Other	12	10	-	-
Total other long term liabilities	154,419	144,830	8,615	9,488
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	11,292	10,718
Total creditors	0	0	11,292	10,718

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 2016/17.

Soft Loan

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2015/16 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consists of Season ticket loans £276k, Gym membership loans £130k and Home computer £425k and are carried at nominal value in the Balance Sheet as they are due within 10 months, 12 months and 2 years respectively; thus the effect on the accounts is deemed to be immaterial.

Unquoted Equity Instruments Measured at Cost

The Council holds shares in Islington Limited which are carried at cost of £1,000 because their fair value cannot be measured reliably. This is because the company has no established trading history, having only been formed in October 2014, and there are no similar companies whose shares are traded and which might provide comparable market data.

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 2015/16	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	
Interest expense	(29,647)	-	-	-	(29,647)
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	(29,647)	0	0	0	(29,647)
Interest income	-	570	-	-	570
Interest income accrued on impaired financial assets	-	-	-	-	0
Increases in fair value	-	-	-	-	0
Gains on derecognition	-	-	-	-	0
Fee income	-	-	24	-	24
Total income in Surplus or Deficit on the Provision of Services	0	570	24	0	594
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	(29,647)	570	24	0	(29,053)

Income, Expense, Gains and Losses 2014/15	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	
Interest expense	(30,926)	-	-	-	(30,926)
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	(30,926)	0	0	0	(30,926)
Interest income	-	368	-	-	368
Interest income accrued on impaired financial assets	-	-	-	-	0
Increases in fair value	-	-	-	-	0
Gains on derecognition	-	-	-	-	0
Fee income	-	-	1	-	1
Total income in Surplus or Deficit on the Provision of Services	0	368	1	0	369
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	(30,926)	368	1	0	(30,557)

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 remaining contractual cash flows at 31st March 2016 that will take place over the remaining term of the instruments, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Fair values are shown in the table below, split by their level in the fair value hierarchy: The different levels are explained in the accounting policies (Note 1. Paragraph 10).

Fair value comparison of financial liabilities	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31.3.2015	31.3.2015	31.3.2016	31.3.2016
		£000s		£000s	
Financial liabilities held at amortised cost:					
Long-term loans from PWLB**	2	228,049	296,061	221,478	282,397
Other long-term loans	2	80,850	46,748	50,851	42,225
Lease payables and PFI liabilities	3	163,022	261,007	154,308	236,648
Total		471,921	603,816	426,637	561,270
Liabilities for which fair value is not disclosed *		31,373		33,829	
Total Financial Liabilities		503,294		460,466	
Recorded on balance sheet as:					
Short-term creditors		19,907		20,206	
Short-term borrowing		45,511		14,553	
Cash and bank overdrawn		20,069		23,101	
Long-term borrowing		263,388		257,776	
Other long-term liabilities		154,419		144,830	
Total Financial Liabilities		503,294		460,466	

Fair value comparison of financial assets	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31.3.2015	31.3.2015	31.3.2016	31.3.2016
		£000s		£000s	
Financial assets held at amortised cost:					
Long-term loans to companies**	3	692	821	749	869
TOTAL		692	821	749	869
Assets for which fair value is not disclosed *		93,285		102,535	
TOTAL FINANCIAL ASSETS		93,977		103,284	
Recorded on balance sheet as:					
Long-term debtors		12		10	
Long-term investments		680		720	
Short-term debtors		15,710		18,006	
Short-term investments		77,105		68,179	
Cash and cash equivalents		470		16,369	
TOTAL FINANCIAL ASSETS		93,977		103,284	

** The comparative figures have been restated to reflect IFRS 13 valuations

Financial Liabilities

The fair value of financial liabilities held at amortised cost is higher than their balance sheet 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 held at amortised cost is higher than their balance sheet 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 2015/16 approved by Full Council on 26/02/2015. The 2015/16 Treasury Strategy can be found via the following web link:

http://democracy.islington.gov.uk/documents/s3245/Treasury%20Management%20Strategy_Audit%20Committee_29%201%2015%20V3%202.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 term 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 2015/16 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 2016, 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 2016	Balance Invested as at 31 March 2016					Total
			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 9 months and up to 24 months	
Counterparty	YES / NO	YES / NO	£'000	£'000	£'000	£'000	£'000	£'000
Local Authorities	YES	YES	5,000	8,000	24,000	5,000	20,000	62,000
Police Authorities	YES	YES					6,000	6,000
HM Treasury	YES	YES	12,800	-	-	-	-	12,800
Total			17,800	8,000	24,000	5,000	26,000	80,800

The above analysis shows that all deposits outstanding as at 31st March 2016 met the Council's credit rating criteria on the 31st March 2016.

Trade Receivables

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 2015/16	Average % Default based on Previous Experience 5 years to 2014/15	Average % Default based on Previous Experience for 2015/16	Bad Debt Provision for 2015/16
Sundry Debtors	9,860	0.18%	0.23%	0.20%	634

The authority does not generally allow credit for customers, such that £2.0m of the £9.9m balance is past 30 days from invoice date. The remaining £7.9m 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 2015 £'000	31 March 2016 £'000
Less than three months	16,705	8,736
Three to six months	234	336
Six months to one year	214	233
More than one year	515	555
Total	17,668	9,860

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. 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 2016 was as follows:

Liquidity Risk	PWLB		Loan Stock		Other		Total	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	6,478	1,112	-	-	35,500	10,000	41,978	11,112
Between one and two years	1,112	2,846	-	-	10,000	8,000	11,112	10,846
Between two and five years	5,070	2,224	3,596	3,596	31,000	28,500	39,666	34,320
Between five and ten years	29,733	38,401	-	-	-	-	29,733	38,401
Between ten and twenty years	63,331	65,784	-	-	-	-	63,331	65,784
More than twenty years	119,546	108,425	-	-	-	-	119,546	108,425
Total	225,270	218,792	3,596	3,596	76,500	46,500	305,366	268,888
Accrued Interest *							3,536	3,441
Trade creditors *							11,292	10,718
Cash Overdrawn *							20,069	23,101
Total Carrying Amount							340,263	306,148

* 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 2016, 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	(128)
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	(128)
Share of overall impact debited/credited to HRA	1,090
Decrease in fair value of fixed rate investments	0
Impact on Other Comprehensive Income and Expenditure	(128)
Decrease in fair value of fixed rate borrowings/liabilities*	37,571

*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 2015 £'000	Short Term Creditors	31 March 2016 £'000
25,378	Central Government Bodies	23,648
4,784	Other Local Authorities	7,030
3,806	NHS Bodies	3,096
5,547	Public corporations and trading funds	4,090
55,831	Other Entities and Individuals	53,760
95,346	Total Creditors	91,624

35. Short Term Debtors

31 March 2015		Short Term Debtors	31 March 2016	
£'000	£'000		£'000	£'000
	12,336	Central Government Bodies	9,199	
	(7)	Less Impairment for Doubtful Debts	(5)	
12,329		Central Government Bodies		9,194
	4,793	Local Authorities	3,825	
	(26)	Less Impairment for Doubtful Debts	(17)	
4,767		Local Authorities		3,808
	8,492	NHS Bodies	2,594	
	(4)	Less Impairment for Doubtful Debts	(5)	
8,488		NHS Bodies		2,589
	2,565	Public Corporations and Trading Funds	2,213	
	(4)	Less Impairment for Doubtful Debts	(20)	
2,561		Other Public Sector		2,193
	80,018	Other entities and individuals	86,934	
	(45,581)	Less Impairment for Doubtful Debts	(50,023)	
34,437		Other entities and Individuals		36,911
62,582		Total Debtors		54,695

36. Inventories

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

31 March 2015		Inventories & Long term Contracts	31 March 2016	
£'000			£'000	
716		Balance outstanding at start of year		962
316		Purchases		82
(70)		Recognised as an expense in year		(238)
962		Balance outstanding at year-end		806
243		Maintenance Materials		208
348		Items Held for Sale		267
371		Consumable Stores		331
962		Total		806

37. Provisions

Provisions 2015/16	Insurance £'000	Business Rate Appeals £'000	Social Services Charges £'000	Disrepair claims £'000	Other minor £'000	Total £'000
Balance at 1 April 2015	11,861	3,290	1,760	207	1,062	18,180
Additional provisions made in 2015/16	2,008	2,957	32	512	-	5,509
Amounts used in 2015/16	(2,883)	(1,671)	(77)	(207)	(11)	(4,849)
Unused amounts reversed in 2015/16	-	-	-	-	(932)	(932)
Unwinding of discounting in 2015/16	-	-	-	-	-	-
Balance at 31 March 2016	10,986	4,576	1,715	512	119	17,908

Analysis of Balance at 31 March 2016						
Settled within 12 months	2,883	1,671	76	512	119	5,261
More than 12 months	8,103	2,905	1,639	-	-	12,647

Provisions 2014/15	Insurance £'000	Business Rate Appeals* £'000	Social Services Charges £'000	Disrepair claims £'000	Other minor £'000	Total £'000
Balance at 1 April 2014	11,430	2,260	1,784	424	1,218	17,116
Additional provisions made in 2014/15	2,348	1,579	38	101	85	4,151
Amounts used in 2014/15	(1,917)	(549)	(62)	(318)	(241)	(3,087)
Unused amounts reversed in 2014/15	-	-	-	-	-	-
Unwinding of discounting in 2014/15	-	-	-	-	-	-
Balance at 31 March 2014	11,861	3,290	1,760	207	1,062	18,180

Analysis of Balance at 31 March 2015						
Settled within 12 months	1,917	549	62	207	1,062	3,797
More than 12 months	9,944	2,741	1,698	-	-	14,383

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 maintains an insurance fund as a provision covering anticipated liabilities for Errors and Omissions, Libel and Slander, Motor (Third Party), Employers' Liability, Public Liability, Fire and other risks – up to a limit of £1,000,000 for any one claim. External policies cover claims in excess of these limits. The Council is a member of a consortium arrangement to purchase insurance cover along with eight other London boroughs.

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 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)	9,600
Claims settled prior to 1992/93 (2)	1,600
Provision for claims incurred but yet to be settled prior to 1992/93 (3)	400
Provision for claims yet to be received for events prior to 1992/93 (4)	1,500
Total Insurance exposure at 31st March 2016	13,100

- 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 £9.6m 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 (MMI), 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 25%; however, actuarial advice is that the Council should hold provision for 75% as a prudent position (£1.6m), to allow for additional claw-backs in future years.
- 3) In addition, there are £0.5 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, £0.4m, 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 £2.0m over the next 10 to 20 years. Again, the Council on actuarial advice has provided for 75% of these potential claims, so £1.5m.

The closing balance of the insurance fund as at 31st March 2016 was £12.1m, including £1.1m held in imprest accounts by the Council's claims handlers (this was £11.9m fund balance plus £0.6m imprest accounts as at 31st March 2015). Actuarial advice is that the fund has a deficit of £1m as at 31st March 2016.

It is the Actuary's opinion that the fund balance (including imprest accounts) of £12.1m sits comfortably within a reasonable range of undiscounted liabilities of c£9m-£16m as at 31st March 2016, and so £12.1m is a reasonable provision for these uncertain liabilities as at 31st March 2016, based on information available as at the date of the signing of the actuarial report.

Insurance London Consortium

The Council is a member of a consortium arrangement to purchase insurance cover along with eight other London boroughs. A contract is in place 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 2015/16.

Transfers to/from Earmarked Reserves	Balance at 1 April 2015 £'000	Transfers Out 2015/16 £'000	Transfers In 2015/16 £'000	Balance at 31 March 2016 £'000
General Fund				
Invest to Save	(6,491)	3,663	(640)	(3,468)
Services Specific (Corporate)	(9,041)	6,403	(10,973)	(13,612)
Capital Reserve	(30,099)	20,571	(18,825)	(28,353)
Cemetery Trading Account	(158)	-	(450)	(608)
Building Schools for the Future	(312)	154	-	(158)
Levies Reserve	(844)	-	-	(844)
Housing Benefit Reserve	(7,971)	-	(1,078)	(9,049)
Redundancy Reserve	(2,728)	4,913	(2,845)	(660)
Contingency Reserve	(1,600)	2,490	(1,900)	(1,010)
CIL Isl Reserve	-	-	(2,561)	(2,561)
CIL Ward Reserve	-	-	(480)	(480)
S106 Reserve	-	-	(6,444)	(6,444)
Total	(59,244)	38,195	(46,197)	(67,246)
Street Market Reserves	(271)	-	(48)	(319)
Grand Total	(59,515)	38,195	(46,245)	(67,565)
HRA				
PFI - Housing PFI I	(5,510)	-	-	(5,510)
HRA Tenants' H&HW r-f Reserve	-	-	(563)	(563)
HRA Risk Equalisation Reserve	-	-	(18,293)	(18,293)
Revaluations Smoothing Reserve	(8,151)	-	(2,432)	(10,583)
HRA Total	(13,661)	0	(21,288)	(34,949)

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

PFI Smoothing Reserves (BSF, Housing PFI 1): 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.

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.

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.

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.

Section 106: earmarked for future s106 funded projects.

Community Infrastructure Levy (CIL) Strategic and Local: earmarked for future CIL funded projects.

HRA Risk Equalisation: earmarked to mitigate against the financial risks/pressures arising from legislative changes.

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

39. Usable Reserves

31 Mar 2015 £'000	Usable Reserves	31 Mar 2016 £'000
24,859	General Fund	22,227
59,515	Earmarked Reserves - General Fund	67,565
13,661	Earmarked Reserves - HRA	34,949
13,543	Housing Revenue Account	14,773
58,389	Capital Receipts Reserve	69,780
73,983	Major Repairs Reserve	67,881
6,009	Capital Grants Unapplied	-
249,959	Total Usable Reserves	277,175

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 2015 £'000	Unusable Reserves	31 March 2016 £'000
766,020	Revaluation Reserve	821,928
2,220,026	Capital Adjustment Account	2,231,518
90	Financial Instruments Adjustment Account	3
-	Deferred Capital Receipts Reserve	-
(643,309)	Pensions Reserve	(570,339)
5,848	Collection Fund Adjustment Account	4,642
-	Unequal Pay Back Pay Account	-
(5,024)	Accumulated Absences Account	(4,503)
2,343,651	Total Unusable Reserves	2,483,249

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.

2014/15 £'000	Store of unrealised gains on revaluation of non current assets - Revaluation Reserve	2015/16 £'000
(265,512)	Balance as at 1 April	(766,020)
(518,347)	Gains on Revaluations	(245,813)
4,131	Less Depreciation on Revalued Amounts	5,559
13,297	Less Impairments written off to previous gains	178,722
411	Less gains written out for disposed assets	5,624
(766,020)	Balance as at 31 March	(821,928)

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.

2014/15 £'000	Capital Adjustment Account	2015/16 £'000
(2,227,268)	Balance brought forward	(2,220,026)
(11,886)	Capital Expenditure Financed from Usable Capital Receipts	(22,867)
(35,831)	Capital Expenditure Financed from the Major Repairs Reserve	(37,592)
(15,704)	Capital Expenditure Financed from Revenue Resources	(5,282)
(16,298)	Capital Expenditure funded by Grant	(21,364)
3,998	REFCUS funded by Capital Receipts	4,506
449	Amortisation of Intangible Assets	63
24,932	Impairment of Assets	29,138
46,790	Depreciation of PPE non-current Assets	49,715
(4,269)	Minimum Revenue Provision	(4,254)
(8,125)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(8,702)
(411)	Write out of Gains relating to Revalued Disposed Assets	(5,624)
27,781	Current Value of Disposed Assets	18,350
(4,131)	Write out of depreciation on revalued amounts (HCA)	(5,559)
(51)	Gains and losses on Fair Value of Investment Properties	(2,020)
7,242	Total Increase / (Decrease) in Amounts Set Aside to Finance Capital	(11,491)
(2,220,026)	Balance as at 31 March	(2,231,518)

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 Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance 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 2015 £'000	Financial Instruments Adjustment Account	31 March 2016 £'000
206	Balance at 1 April	90
-	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	(87)
90		3
-	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	-
90	Balance at 31 March	3

The £0.003m 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 2015/16, £0.09m 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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The Council did not hold any balances within the deferred capital receipts reserve in either 2014/15 or 2015/16.

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 Council 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 Council 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 Council 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 2015 £'000	Pensions Reserve	31 March 2016 £'000
(460,677)	Balance at 1 April	(643,309)
(168,027)	Actuarial gains or losses on pensions assets and liabilities	97,105
(49,626)	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	(61,035)
-	Business combinations	-
35,021	Employer's pensions contributions and direct payments to pensioners payable in the year	36,900
(643,309)	Balance at 31 March	(570,339)

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.

31 March 2015 £'000	Collection Fund Adjustment Account	31 March 2016 £'000
437	Balance at 1 April	5,848
5,411	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	(1,206)
5,848	Balance at 31 March	4,642

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.

31 March 2015		Accumulated Absences Account	31 March 2016	
£'000	£'000		£'000	£'000
	5,523	Balance at 1 April		5,024
	-	Business combinations		-
(5,523)		Settlement or cancellation of accrual made at the end of the preceding year	(5,024)	
5,024		Amounts accrued at the end of the current year	4,503	
	(499)	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		(521)
	5,024	Balance at 31 March		4,503

41. Cash and Cash Equivalents

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

2014/15	Cash and Cash Equivalents	2015/16
£'000		£'000
(20,069)	<i>Cash and Bank Overdrawn</i>	(23,101)
-	Liquid investments	12,800
92	Cash held by the Authority	74
378	Bank Accounts	3,495
470	Cash and Cash Equivalents	16,369
(19,599)	Total Cash and Cash Equivalents	(6,732)

42. Cash Flow Statement – Operating Activities

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

2014/15 £'000	Operating Activities Adjustments	2015/16 £'000
24,010	Net Surplus or (Deficit) on the Provision of Services	2,618
Adjust net surplus or deficit on the provision of services for non cash movements		
46,790	Depreciation	49,715
19,956	Impairment and downward valuations taken to CAA	29,138
	Impairment and valuation movements on HRA non-dwellings not taken to CAA	(2,431)
449	Amortisation	63
-	Losses or Gains on derecognition of loans & advances in year charged or credited to surplus or deficit on the provision of services	-
-	Soft Loans - Interest adjustment credited to I+E Account during year	-
-	Increase/Decrease in Interest Creditors	(96)
3,008	Increase/Decrease in Creditors	(8,245)
-	Increase/Decrease in Interest and Dividend Debtors	(147)
(9,182)	Increase/Decrease in Debtors	8,393
(246)	Increase/Decrease in Inventories	156
14,605	Pension Liability	24,133
1,065	Contributions to/(from) Provisions	(271)
27,781	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	18,350
(51)	Movement in Investment Property Values	(2,020)
-	Other non-cash items charged to the net surplus or deficit on the provision of services	-
104,175	Total	116,738
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
(15,155)	Capital Grants credited to surplus or deficit on the provision of services	(19,410)
-	Net adjustment from the sale of short and long term investments	10
(48,456)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(38,236)
(63,611)	Total	(57,636)
64,574	Net Cash Flows from Operating Activities	61,720

The cash flows for operating activities include the following items:

2014/15 £'000	Operating Activities (Interest)	2015/16 £'000
277	Interest Received	448
(32,390)	Interest Paid	(30,836)
-	Dividends received	-

43. Cash Flow Statement – Investing Activities

2014/15 £'000	Investing Activities	2015/16 £'000
(77,119)	Purchase of property, plant and equipment, investment property and intangible assets	(82,197)
(72,062)	Purchase of short-term and long-term investments	(51)
-	Other payments for investing activities	(412)
48,456	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	37,882
-	Proceeds from short-term and long term investments	9,000
19,200	Other receipts from investing activities	28,502
(81,525)	Net cash flows from investing activities	(7,276)

44. Cash Flow Statement – Financing Activities

2014/15 £'000	Financing Activities	2015/16 £'000
40,000	Cash receipts of short- and long-term borrowing	29,200
4,806	Other receipts/ (payments) from financing activities	-
(8,125)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,702)
(31,935)	Repayments of short- and long- term borrowing	(65,677)
-	Council Tax and NDR adjustments	3,602
4,746	Net cash flows from financing activities	(41,577)

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.

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 2015/16	Children's Services	Environment & Regeneration	Adults & Housing	Public Health	Chief Executive	Finance & Resources	Central Items	Housing Revenue Account Services	Subtotal Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(16,789)	(55,118)	(45,302)	(2,968)	(7,498)	(7,201)	(134,261)	(225,851)	(494,988)
Government Grants	(195,793)	(4,640)	(7,900)	(25,818)	(1,679)	(201,063)	(125,073)	(26,633)	(588,599)
Total Income	(212,582)	(59,758)	(53,202)	(28,786)	(9,177)	(208,264)	(259,334)	(252,484)	(1,083,587)
Employee expenses	173,315	51,116	28,219	3,125	17,682	35,927	2,682	39,196	351,262
Other Services Expenses	115,512	48,943	106,744	22,477	8,626	220,289	24,263	186,873	733,727
Support Service Recharges	12,699	1,214	5,640	4,449	(10,620)	(53,272)	14,705	25,185	0
Total Operating Expenses	301,526	101,273	140,603	30,051	15,688	202,944	41,650	251,254	1,084,989
Net Expenditure	88,944	41,515	87,401	1,265	6,511	(5,320)	(217,684)	(1,230)	1,402

Departmental Income and Expenditure 2014/15	Children's Services	Environment & Regeneration	Adults & Housing	Public Health	Chief Executive	Finance & Resources	Central Items	Housing Revenue Account Services	Subtotal Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(15,612)	(47,217)	(43,439)	(2,243)	(5,140)	(8,909)	(130,278)	(228,631)	(481,469)
Government Grants	(185,906)	(4,730)	(9,165)	(25,816)	(1,847)	(203,360)	(142,336)	(28,956)	(602,116)
Total Income	(201,518)	(51,947)	(52,604)	(28,059)	(6,987)	(212,269)	(272,614)	(257,587)	(1,083,585)
Employee expenses	166,130	48,443	27,624	4,030	16,754	36,404	1,642	32,386	333,413
Other Services Expenses	123,209	47,590	110,968	20,333	9,085	224,014	8,950	205,987	750,136
Support Service Recharges	13,392	3,495	9,083	3,615	(10,125)	(56,587)	17,376	19,748	(3)
Total Operating Expenses	302,731	99,528	147,675	27,978	15,714	203,831	27,968	258,121	1,083,546
Net Expenditure	101,213	47,581	95,071	(81)	8,727	(8,438)	(244,646)	534	(39)

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	2014/15 £'000	2015/16 £'000
Net expenditure in the Departmental Analysis	(39)	1,402
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	(39)	1,402
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	209,149	214,462
Cost of Services in Comprehensive Income and Expenditure Statement	209,110	215,864

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.

	Departmental Analysis	Amounts not included in I&E	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(325,013)	8,556	(316,457)	(8,556)	(325,013)
Interest and Investment Income	(593)	593	0	(593)	(593)
Income from Council Tax and NNDR	(130,558)	130,558	0	(130,558)	(130,558)
Government Grants and Contributions	(588,599)	128,961	(459,638)	(128,961)	(588,599)
Total Income	(1,044,763)	268,668	(776,095)	(268,668)	(1,044,763)
Employee Expenses	351,262	(56,856)	294,406	56,856	351,262
Other Services Expenses	571,103	(20,101)	551,002	16,081	567,083
Support Service Recharges	-	71,297	71,297	(71,297)	0
Depreciation, Amortisation and Impairment	78,467	(3,213)	75,254	3,213	78,467
Interest Payments	50,723	(50,723)	0	50,723	50,723
Precepts and Levies	11,107	(11,107)	0	11,107	11,107
Payments to Housing Capital Receipts Pool	3,978	(3,978)	0	3,978	3,978
Gain or Loss on Disposal of Fixed Assets	(20,475)	20,475	0	(20,475)	(20,475)
Total Operating Expenses	1,046,165	(54,206)	991,959	50,186	1,042,145
Surplus or Deficit on the Provision of Services	1,402	214,462	215,864	(218,482)	(2,618)

Reconciliation to Subjective Analysis 2014/15	Departmental Analysis	Amounts not included in I&E	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(303,142)	9,733	(293,409)	(9,733)	(303,142)
Interest and Investment Income	(1,085)	1,085	0	(1,085)	(1,085)
Income from Council Tax and NNDR	(128,042)	128,042	0	(128,042)	(128,042)
Government Grants and Contributions	(602,116)	148,887	(453,229)	(148,887)	(602,116)
Total Income	(1,034,385)	287,747	(746,638)	(287,747)	(1,034,385)
Employee Expenses	333,413	(56,124)	277,289	56,124	333,413
Other Services Expenses	579,403	(45,344)	534,059	21,373	555,432
Support Service Recharges	(3)	75,299	75,296	(75,299)	(3)
Depreciation, Amortisation and Impairment	72,273	(3,169)	69,104	3,169	72,273
Interest Payments	52,164	(52,164)	0	52,164	52,164
Precepts and Levies	7,558	(7,558)	0	7,558	7,558
Payments to Housing Capital Receipts Pool	10,957	(10,957)	0	10,957	10,957
Gain or Loss on Disposal of Fixed Assets	(21,419)	21,419	0	(21,419)	(21,419)
Total Operating Expenses	1,034,346	(78,598)	955,748	54,627	1,010,375
Surplus or Deficit on the Provision of Services	(39)	209,149	209,110	(233,120)	(24,010)

46. Contingent Liabilities and Assets

Legal claims pending settlement

The Council is involved in 4 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 £0.1m.

In addition, the Council has potential liabilities for a number of other claims. One relates to claims from a number of personal search companies (together known as "APPS") arising from unlawfully levied charges for searches of the Local Land Charges Register in the period 2005-2010. The Council also has ongoing disrepair claims, a number of challenges to its housing allocation policies, a building construction claim and other potential claims. The maximum liability for all these is estimated at £12.5m.

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.

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Termination Benefits

Due to the unprecedented cuts to the Council's funding from central government, the Council will have delivered savings of over £150m over the five years 2011-16 and has built a further £23m of savings into its 2016/17 budget, realising £173m of savings over the six years. Government national budget plans currently indicate that this trend will continue until 2020 by which time the Council will have faced a like-for-like reduction in core unringfenced government funding of revenue support grant, business rates and top-up grant of approximately 70%. A significant number of posts have been cut from the Council workforce and the financial impact of these is set out in Note 14. There will inevitably be further cuts to the Council workforce. The significant costs in terminating employment contracts in the future 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 grade and length of service. The Council has created an earmarked reserve as a prudent measure to meet future termination costs. The balance of this reserve was £0.66m at 31st March 2016.

Contractual claims pending

None pending.

Guarantees given

The Council has given a guarantee to its trading company Islington Company (ICo)

Contingent Assets

None known.

47. Events After the Balance Sheet Date

The unaudited Statement of Accounts 2015/16 was authorised for issue on 30th June 2016 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. On 23 June 2016 the UK electorate voted to leave the European Union. At this moment the consequence of this upon the Council is unquantifiable.

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 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
<i>Cost of Services</i>				
Current service costs including admin. expenses	28,406	38,380	-	-
Past service costs including curtailments	1,735	2,671	-	-
Settlements	-	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net Interest Expense	17,301	18,287	2,184	1,695
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	47,442	59,338	2,184	1,695
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(59,614)	48,686	-	-
Actuarial gains and losses arising from changes in demographic assumptions	-	-	-	-
Actuarial gains and losses arising from changes in financial assumptions	222,883	(143,175)	4,757	(2,619)
Other (if applicable)	-	-	1	5
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	210,711	(35,151)	6,942	(919)
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	(47,442)	(59,338)	(2,184)	(1,695)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	31,560	33,444	3,461	3,456
Retirement Benefits Payable to Pensioners	-	-	3,461	3,456

*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 Council's obligation in respect of its defined benefit plans is as follows:

Scheme History	Funded Liabilities				Unfunded Liabilities		Total 31 March 16 £'000
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits		
	31 March 15 £'000	31 March 16 £'000	31 March 15 £'000	31 March 16 £'000	31 March 15 £'000	31 March 16 £'000	
Present Value of defined benefit obligation	(1,568,064)	(1,484,576)	(46,983)	(42,983)	(55,213)	(50,838)	(1,578,397)
Fair Value of Plan Assets	983,833	967,580	43,118	40,478	-		1,008,058
Net liability	(584,231)	(516,996)	(3,865)	(2,505)	(55,213)	(50,838)	(570,339)

The total net liability of £643m 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 2015/16	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Balance at 1st April 2015	1,568,064	46,983	55,213
Current service costs	37,082	163	
Interest cost	49,656	1,371	1,695
Contributions by scheme participants	10,567	30	
<i>Remeasurement (gains) and losses:</i>			
Actuarial gains and losses arising from changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	(140,225)	(2,950)	(2,619)
Other (if applicable)			5
Past service costs	277		
Losses/(gains) on curtailment	2,394		
Liabilities assumed on entity combinations			
Benefits paid	(43,239)	(2,614)	(3,456)
Liabilities extinguished on settlements			
Balance at 31st March 2016	1,484,576	42,983	50,838

Reconciliation of present value of the scheme liabilities 2014/15	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pensions Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Balance at 1st April 2014	1,295,989	43,089	51,732
Current service costs	27,169	148	
Interest cost	56,336	1,754	2,184
Contributions by scheme participants	10,283	32	
<i>Remeasurement (gains) and losses:</i>			
Actuarial gains and losses arising from changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	218,223	4,660	4,757
Other (if applicable)			1
Past service costs	479	9	
Losses/(gains) on curtailment	1,247		
Liabilities assumed on entity combinations			
Benefits paid	(41,662)	(2,709)	(3,461)
Liabilities extinguished on settlements			
Balance at 31st March 2015	1,568,064	46,983	55,213

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 2015/16	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pension Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Opening Fair Value of Scheme Assets at 1st April 2015	983,833	43,118	0
Interest Income	31,480	1,260	-
<i>Remeasurement gain/(loss)</i>			
The return on plan assets, excluding the amount included in the net interest expense	(47,105)	(1,581)	-
Other (if applicable)			-
Business combinations			-
Settlements			
Contributions by the employer	33,114	330	3,456
Contributions by scheme participants	10,567	30	-
Benefits paid	(43,239)	(2,614)	(3,456)
Administration expenses	(1,070)	(65)	
Closing Fair Value of Scheme Assets at 31st March 2016	967,580	40,478	0

Reconciliation of the Movements in the Fair Value of Scheme Assets 2014/15	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pension Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Opening Fair Value of Scheme Assets at 1st April 2014	887,412	42,721	0
Interest Income	39,043	1,746	-
<i>Remeasurement gain/(loss)</i>			
The return on plan assets, excluding the amount included in the net interest expense	58,564	1,050	-
Other (if applicable)			-
Business combinations			-
Settlements			
Contributions by the employer	31,218	342	3,461
Contributions by scheme participants	10,283	32	-
Benefits paid	(41,662)	(2,709)	(3,461)
Administration expenses	(1,025)	(64)	
Closing Fair Value of Scheme Assets at 31st March 2015	983,833	43,118	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	
		31/03/2015	31/03/2016
		£000	£000
Equities			
UK quoted	Y	324,666	241,747
Private equity	N	49,192	38,679
Global - North America	Y	118,060	106,369
Global - Europe	Y	59,030	48,349
Global - Japan	Y	9,838	9,670
Global - Pacific (ex Japan)	Y	19,677	19,340
Global - Emerging / Other	Y	59,030	48,349
Sub-total equities		639,493	512,503
Bonds			
UK other	Y	206,606	193,397
Sub-total bonds		206,606	193,397
Property			
UK	Y	118,060	145,048
Overseas	N	9,838	9,670
Sub-total property		127,898	154,718
Alternatives			
Class 1	Y	0	87,029
Cash			
Cash accounts	Y	9,838	19,933
Sub-total cash		9,838	19,933
Total assets		983,835	967,580

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets	
		31/03/2015	31/03/2016
		£000	£000
Equities			
Global	Y	10,477	15,300
Investment funds unquoted	N	4,958	-
Private equity	N	3,277	3,521
Sub-total equities		18,712	18,822
Bonds			
LDI	N	3,234	4,088
Target return	Y	1,509	-
Alternative debt	N	-	1,376
Total return quoted	Y	-	2,267
Total return unquoted	N	-	2,145
Investment funds and unit trusts quoted	Y	7,718	1,052
Investment funds and unit trusts unquoted	N	3,277	1,781
Sub-total bonds		15,738	12,710
Alternatives			
Infrastructure	N	2,113	2,186
Property funds	N	1,207	1,457
Commodity funds	Y	388	162
Cash	Y	5,045	5,464
Derivatives	N	(86)	(324)
Sub-total alternatives		8,667	8,945
Total assets		43,117	40,477

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 15	31 March 16	31 March 15	31 March 16	31 March 15	31 March 16
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	22.5	22.6	20.9	21	22.5	22.6
Women	25.2	25.3	24.4	24.5	25.2	25.3
Longevity at 65 for future pensioners (in years):						
Men	24.7	24.8	23.3	23.5	0.0	0.0
Women	27.5	27.6	26.7	26.8	0.0	0.0
Rate of inflation	2.0%	2.0%	2.2%	2.0%	2.0%	2.0%
Rate of increase in salaries	3.8%	3.8%	4.0%	3.8%	0.0%	0.0%
Rate of increase in pensions	2.0%	2.0%	2.2%	2.0%	2.0%	2.0%
Rate of discounting scheme liabilities	3.2%	3.7%	3.0%	3.3%	3.1%	3.4%

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)	29,867	(29,867)	1,481	(1,433)
Rate of inflation (increase or decrease by 0.1%)	27,497	(27,497)	583	(577)
Rate of increase in salaries (increase or decrease by 0.1%)	5,566	(5,566)	22	(23)
Rate of increase in pensions (increase or decrease by 0.1%)	27,497	(27,497)	583	(577)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(27,008)	27,008	(591)	599

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 2016.

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 £32.6m expected contributions to the LGPS and LPFA schemes in 2016/2017.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 18 years, 2015/16 (18 years 2014/2015), and within LPFA is 14 years in 2015/16 (14 years in 2014/15).

The authority is exposed to a number of risks:

LGPS

- 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 price 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.

LPFA

- 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.

Defined Benefit Scheme - Accrued Pensions Contributions

At 31st March 2016, the Council owed LGPS £2m and LPFA £27k in contributions and pension strain. These balances were subsequently settled by June 2015.

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 2015/16 the Council paid £8.9m to Teacher's Pensions in respect of teachers' retirement benefits, representing 15.49% of pensionable pay. The figures for 2014/15 were £7.7m and 14.1% respectively. Contributions of £0.8 remained payable at year-end. The contributions due to be paid in the next financial year are estimated to be £9.5m. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2015/16 these amounted to £0.8m (£0.8m in 2014/15).

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 transferred to the Council. These staff 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 2015/16, £139k is payable by the Council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.3% of pensionable pay. The figures for 2014/15 were £221K and 14% respectively.

50. Grant Income

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

Income from Grants, Contributions and Donations	2014/15	2015/16
	<i>£'000</i>	<i>£'000</i>
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	91,548	66,506
Top-up Grant	19,998	20,380
New Homes Bonus	12,007	13,781
Council Tax Freeze Grant	862	-
Local Services Support Grant	102	56
Education Services Grant	2,851	2,322
Housing Benefits Administration Grant	2,395	2,309
Innovation Grant	-	2,789
Donated Assets	-	-
Capital Grants	15,155	15,353
Other non specific grants	5,914	5,234
Total	150,832	128,730
Credited to Services		
Dedicated Schools Grant	154,749	160,237
Housing Benefit Subsidy	205,456	205,925
Public Health Grant	25,816	25,818
Private Finance Initiative	32,907	32,907
Pupil Premium Grant	14,125	13,869
Sixth Form Funding	3,923	4,059
Asylum Seekers	1,276	1,448
Other grants and contributions	13,031	15,604
Other donations	-	-
Total	451,283	459,867

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 2015 £'000	Grant Balances	31 Mar 2016 £'000
Grants Receipts in Advance - Short Term		
Revenue Grants		
(6,785)	Dedicated Schools Grant	(3,305)
-	Growth Deal for London	(2,260)
(1,679)	Other Government Grants balances	(3,323)
-	Other Contributions balances	-
(8,464)	Total	(8,888)
Capital Grants		
(735)	Government Grants	(998)
(5,062)	s106 Contributions	(5,026)
(455)	Third Party contributions	(33)
(6,252)	Total	(6,057)
Grants Receipts in Advance - Long Term		
Capital Grants		
(106)	Government Grants	(161)
(17,117)	s106 Contributions	(25,935)
-	Third Party contributions	-
(17,223)	Total	(26,096)

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 2015/16 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015/16 before Academy recouplement	-	-	172,560
Academy figure recouped for 2015/16	-	-	(15,803)
Total DSG after Academy recouplement for 2015/16	0	0	156,757
Brought forward from 2014/15	6,785	-	6,785
Carry forward to 2016/17 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2015/16	35,119	128,423	163,542
In-year adjustments	-	-	-
Final budgeted distribution for 2015/16	35,119	128,423	163,542
less Actual Central Expenditure	(31,814)	-	(31,814)
less Actual ISB deployed to schools	-	(128,423)	(128,423)
plus Local authority contribution for 2015/16	-	-	-
Carry forward to 2016/17 agreed in advance	3,305	0	3,305

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 £28.4m at 31st March 2016 (£32.7m at 31st March 2015) 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

2014/15 £'000	Housing Revenue Account Income and Expenditure Statement	2015/16 £'000
Expenditure		
26,251	Repairs and Maintenance	29,709
86,943	Supervision and Management	95,501
613	Rents, Rates, Taxes and Other Charges	726
21,278	Depreciation of non-current Assets	23,039
102	Loss on Revaluation of non-current Assets	22,326
274	Debt Management Costs	287
817	Movement in the allowance for bad debts	498
136,278	Total Expenditure	172,086
Income		
(147,266)	Dwellings Rents (gross)	(153,158)
(1,878)	Non-Dwellings Rents (gross)	(2,803)
(30,122)	Charges for Services & Facilities	(32,156)
(833)	Transfers from General Fund - Communal Use	(816)
(22,855)	PFI Government grant receivable	(22,855)
(202,954)	Total Income	(211,788)
(66,676)	Net Cost of Services as included in the comprehensive Income and Expenditure Statement	(39,702)
2,891	HRA services' share of Corporate and Democratic Core	2,891
(63,785)	Net (Income) / Cost of HRA Services	(36,811)
HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:		
(22,760)	Gain or loss on sale of property, plant & equipment	(20,668)
289	Gain or loss on sale of investment properties	13
(4,976)	Gain or loss on revaluation of investment properties	(1,983)
22,735	Interest payable and similar charges	27,907
(6,101)	Capital Grants and Contributions receivable	(3,658)
(720)	Interest and investment income	(475)
(75,318)	(Surplus)/Deficit for the year on HRA Services	(35,675)

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.

2014/15 £'000	Movement on the HRA Statement	2015/16 £'000
(14,077)	Balance on the HRA at the end of the previous year	(13,543)
(75,318)	(Surplus) or Deficit for year on the HRA Income and Expenditure Account	(35,675)
70,978	Adjustments between accounting basis and funding basis under statute	13,157
(4,340)	Net (Increase) or decrease before transfers to or from reserves	(22,518)
4,874	Transfers to / (from) reserves	21,288
534	(Increase) or decrease in year on the HRA	(1,230)
(13,543)	Balance on the HRA at the end of the current year:	(14,773)

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

2014/15 £'000	Note on Reconciling Items for the HRA Balance	2015/16 £'000
Adjustments between accounting basis and funding basis under statute		
6,101	Capital Grants received transferred to Grants Reserve	3,658
5,702	Repayment of PFI / lease liabilities	6,191
22,391	Gain or loss on sale of HRA non-current assets	20,527
-	Gain or loss on revaluation of council dwellings	(22,773)
(3,889)	Reversal of charges made for retirement benefits in accordance with IAS 19	(5,530)
(116)	Differences between interest payable and similar charges including amortisation of premiums and discounts	(87)
3,612	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	3,212
(20)	Differences between any other item of income & expenditure determined by the SerCOP and HRA statutory requirement	(32)
(664)	Capital Receipts funding of Disposal Costs	(461)
(21,278)	Transfer from Capital Adjustment Account equivalent to depreciation	(23,039)
3,281	Capital Expenditure funded by the HRA	-
55,858	Transfers to/(from) Major Repairs Reserve	31,491
Transfer to / from earmarked reserves		
-	Transfer to/(from) Tenants' Heating & Hot Water Reserve	563
4,874	Amounts transferred to/(from) HRA Reserve	20,725
75,852	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	34,445

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.

2014/15 Nos	Housing stock numbers	2015/16 Nos
23,025	Flats	22,931
2,444	Houses	2,437
-	Multiple Occupation	-
25,469	Total	25,369

2. Value of Dwellings

The value of Council Dwellings as at 31st March 2016 was £2.9 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% (25% in 2014/15), which means that the vacant possession value of the dwellings within the HRA as at 31st March 2016 is £11.6 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.

2014/15 £'000	Housing Stock - Value	2015/16 £'000
Operational Assets		
2,903,511	Council dwellings	2,880,725
Other		
16,151	Other Land & buildings	24,146
19,914	Infrastructure Assets	19,592
168	Vehicles, Equipment & Plant	95
5,406	Surplus Non-operational assets	87
3	Community Assets	3
11,114	Investment Properties	13,013
17,469	Assets under Construction	25,533
2,973,736	Total	2,963,194

3. Major Repairs Reserve

Expenditure financed from the Major Repairs Reserve amounted to £37.59m in 2015/16 (£35.83m in 2014/15).

2014/15 £'000	Major Repairs Reserve	2015/16 £'000
(53,956)	Balance as at 1st April	(73,983)
(21,278)	Transfer from HRA equivalent to HRA depreciation	(23,039)
(34,580)	Other transfer to/(from) HRA	(8,451)
35,831	Capital Expenditure on Dwellings	37,592
(73,983)	Balance as at 31 March	(67,881)

4. Capital Expenditure and Capital Receipts

The Council spent £65.02m on the Housing stock in 2015/16 (£54.10m in 2014/15). Capital Receipts in year amounted to £36.3m of which £3.98m was paid to Central Government.

2014/15 £'000	HRA Capital Expenditure	2015/16 £'000
51,291	Works to HRA Dwellings / Other Properties	60,513
2,805	REFCUS	4,506
54,096	Total	65,019

2014/15 £'000	Capital Expenditure by Funding Source	2015/16 £'000
(1)	Borrowing	-
(11,917)	Usable Capital receipts	(22,867)
-	Revenue Contributions	-
(35,850)	Major Repairs Reserve	(37,592)
(6,328)	Other	(4,560)
(54,096)	Total	(65,019)

2014/15 £'000	Summary of Capital Receipts	2015/16 £'000
38,271	Usable	32,319
10,957	Paid to DCLG	3,978
49,228	Total	36,297

5. Depreciation

The amount included in the Housing Revenue Account Income and Expenditure Account for Depreciation amounted to £23.04 in 2015/16 (£21.3m in 2014/15).

2014/15 £'000	Depreciation	2015/16 £'000
19,155	Council Dwellings	20,181
375	Other Land & Buildings	879
1,081	Infrastructure Assets	1,124
385	Vehicles, Equipment & Plant	826
196	Surplus Non-operational assets / Community Assets	1
86	Intangible Assets	28
21,277	Total Depreciation	23,039

6. Impairment

£22.326m impairments were charged in 2015/16 (Nil in 2014/15).

7. Items Directed by the Secretary of State

None

8. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2015/16 was £2.318m (£0.051m in 2014/15).

9. Rent Arrears

Outstanding rent arrears at 31st March 2016 were £4.997m. The amounts outstanding at 31st March 2015 were £5.405m. During 2015/16, irrecoverable rent arrears of £0.637m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £0.208m. The table below shows the comparison of rent arrears over 2014/15 and 2015/16.

2014/15 £'000	Rent Arrears	2015/16 £'000
2,694	Current Tenants	2,670
2,711	Former Tenants	2,327
5,405	Total	4,997

10. 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

2014/15			2015/16			
Council Tax	Non-Domestic Rates	Total	Summary of Income and Expenditure Account as at 31st March 2016	Council Tax	Non-Domestic Rates	TOTAL
£'000	£'000	£'000		£'000	£'000	£'000
Income						
(94,394)	(201,160)	(295,554)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(98,064)	(201,363)	(299,427)
-	(5,455)	(5,455)	Business Rate Supplement Income		(5,374)	(5,374)
Transfers from General Fund						
-		-	Council Tax Benefits			-
	107	107	Transitional Relief		555	555
		-	Discounts for Prompt Payment	-		-
Contributions						
		-	Towards previous year's Collection Fund Deficit	-	-	-
		-	Adjustment of previous years' community charge			-
(94,394)	(206,508)	(300,902)	Total Income	(98,064)	(206,182)	(304,246)
Expenditure						
Precepts, Payments & Demands						
13		13	Lloyd Square	15		15
20,793	37,454	58,247	Greater London Authority	21,240	38,192	59,432
	5,391	5,391	BRS Payments		5,331	5,331
66,892	56,181	123,073	London Borough of Islington	70,634	57,288	127,922
	93,635	93,635	Payments with respect to Central Share		95,481	95,481
87,698	192,661	280,359	Total Precepts & Demands	91,889	196,292	288,181
Collection & Admin Costs						
	647	647	Costs of Collection		645	645
	65	65	BRS Administrative Costs		42	42
Other Transfers to the General Fund						
	60	60	Renewable Energy Schemes		60	60
Contributions						
			Towards previous year's Collection Fund Surplus			
	(500)	(500)	London Borough of Islington	3,843	-	3,843
	(333)	(333)	Greater London Authority	1,194	-	1,194
	(833)	(833)	Central Government	-	-	-
	-	-	Adjustment of previous years' community charge	-	-	-
Bad and Doubtful Debts / Appeals						
47	75	122	Current Year Write Offs	27	49	76
	5,264	5,264	Appeals Provision		9,858	9,858
2,335	2,472	4,807	Allowance for Bad Debts Provisions	2,043	1,027	3,070
90,080	199,578	289,658	Total Expenditure	98,996	207,973	306,969
(4,314)	(6,930)	(11,244)	(Surplus) / Deficit for the Year	932	1,791	2,723

Collection Fund Account Reserves						
(2,518)	5,146	2,628	(Surplus)/Deficit brought forward	(6,832)	(1,784)	(8,616)
(4,314)	(6,930)	(11,244)	(Surplus)/Deficit for the year	932	1,791	2,723
(6,832)	(1,784)	(8,616)	Closing Collection Fund Balance	(5,900)	7	(5,893)

Current Share of (Surplus)/Deficit						
(5,253)	(535)	(5,788)	London Borough of Islington	(4,536)	2	(4,534)
(1,580)	(357)	(1,936)	Greater London Authority	(1,364)	1	(1,363)
-	(892)	(892)	Central Government		4	4
(6,832)	(1,784)	(8,616)	Total (Surplus)/Deficit c/f	(5,900)	7	(5,893)

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 2015/16 Council Tax income is made up of following adjustments:

2014/15 £'000	Council Tax Income	2015/16 £'000
(140,546)	Gross Opening Charge	(144,146)
	Less: Adjustments	
8,063	Exemptions	8,696
72	Disabled Relief	56
12,779	Discounts	12,697
-	Other Adjustments	-
25,238	Council Tax Support	24,633
(94,394)	Income collectable from Taxpayers	(98,064)

The above discounts figure includes localised discounts of £627k (mainly older person discounts of £475k and cash back of £152k), the cost of which is absorbed by the Collection Fund. A £100 older persons discount is awarded to Islington residents, where the taxpayer or their partner is 65 or over on 1 April 2015 and are legally responsible for paying council tax at their property.

C2. Council Tax Base

In 2015/16, there were estimated gross adjusted 99,172 (98,328-2014/15) residential properties in Islington which were placed in one of eight valuation bands depending on their capital value. The total for each band is converted by use of an appropriate multipliers and expressed in terms of number of band D equivalents dwellings to give a tax base.

The tax base for council tax setting purposes for Islington was 72,001 equivalent Band D properties, (69,543-2014/15) and this was used to cover the net expenditure of the authorities that precept the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties. The 2015/16 band D equivalent council tax including precepts was £1276.01.

Bands	2015/16 Actual Net Chargeable Dwellings as at 31/03/16	2015/16 Council Tax incl precepts	2015/16 Net CTS of Chargeable dwellings at tax setting	Proportion of Band D Charges	2015/16 Band D Equivalent Dwellings at Tax Base for Tax Setting	2014/15 Band D Equivalent Dwellings at tax setting.
	No. of dwellings	£'000	No. of dwellings	%	No. of dwellings	No. of dwellings
A	1,541	851	1,036	66.7%	691	635
B	5,863	992	3,104	77.8%	2414	2,312
C	28,583	1,134	16,771	88.9%	14908	14,328
D	30,685	1,276	21,158	100.0%	21158	20,337
E	16,745	1,560	12,802	122.2%	15647	14,918
F	8,254	1,843	6,803	144.4%	9827	9,605
G	6,625	2,127	5,932	166.7%	9887	9,809
H	876	2,552	829	200.0%	1659	1,648
Total	99,172		68,437		76,192	73,591
Total Band D Equivalent Dwellings					76,192	73,591
Budgeted Collection Rate					94.50%	94.50%
Net Collection Rate Band D Equivalent Dwellings					72,001	69,543

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, small business non domestic rating multiplier for 2015/16 of 48p and the non-domestic rating multiplier of 49.3p.

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 rest with the precepting bodies. Local Authorities 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 localisation the Council also 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 2015/16.

The total non-domestic rateable value at 31st March 2016 was £496m (£493m at 31st March 2015). The rateable value of the borough has increased after the revaluation of all commercial properties in 2010 by the Valuation Office. However growth was partly offset by 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.

2014/15 £'000	Business Rates (NDR)	2015/16 £'000
(235,723)	Gross rates and empty rates due at the end of the year	(242,648)
	<i>Less allowance and adjustments:</i>	
4,152	NDR Payable in respect of previous years	5,575
(107)	Transitional Protection Payments	(555)
19,040	Mandatory Relief	20,293
5,277	Unoccupied Property Relief	8,948
1,607	Retail Relief	2,576
3,467	Small Business Rate Relief	3,489
1,129	Discretionary Relief	956
-	Interests	2
34,565	Total Reliefs and Adjustments	41,284
(201,158)	Net Rates Payable After Reliefs and adjustments	(201,364)
647	Costs of Collection	645
107	Transitional Protection Payments	555
60	Disregarded Renewable Energy	60
2,547	Losses in Collection	1,076
5,264	Appeals Provision	9,858
(192,533)	Actual Non Domestic Rating Income	(189,170)

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 2016 was £356m (£347m at 31st March 2015). The multiplier for the year was 2.0p, giving a possible BRS income of £7.1m.

After allowable adjustments, the collectable income from BRS payers for 2015/16 was £5.374m (£5.455m in 2014/15). The £5.331m (£5.391m in 2014/15) payable to GLA is net of £0.043m (£0.065m in 2014/15) collection costs and other adjustments retained by the Council.

2014/15 £'000	Business Rates Supplement (Crossrail)	2015/16 £'000
(5,455)	BRS Due At Year End	(5,374)
<i>Less allowance and adjustments:</i>		
-	Refund of overpayments	-
41	Losses in collection	23
41	Total	23
(5,414)	Income due from Business Ratepayers	(5,351)
24	Costs of Collection	20
(5,390)	Total	(5,331)

C5. Collection Fund Share of (Surplus)/Deficit

The surplus and deficit within the Collection Fund is 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 in accordance with the tax base declaration. The final balance on NDR account is also paid in the following year, however, apportionment is set with the council precepting partners, Central Government (50%), Greater London Authority (20%) and the rest is retained by 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 Local Government Pension Scheme Regulations 2013 (as amended ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Saving and Amendment) Regulations 2014 ("2014 Transitional Regulations") (collectively; "the Regulations" provide the statutory framework from which the administering Authority is required to 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 2015/16 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 Audit Committee and has fully delegated authority to make investment decisions. The Committee obtains and considers advice from the Corporate Director of Finance, and Resources 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 £28.2million) and Standard Life (total commitment £48.1 million). The fund also has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £50 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:

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

Power is given in The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations” and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 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 6 th Form Academy	Scheduled Body
Elliot Foundation Academy	Scheduled Body
Whitehall Park School	Scheduled Body
Family School Academy	Scheduled Body
The Bridge Free School	Scheduled Body
Volunteering Matters (formerly CSV)	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
W J Catering	Admitted Body
Isledon Arts CIC	Admitted Body

There are also thirteen 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

Aquaterra

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 201516 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 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 2016.

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 2016.

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.

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the council discloses its pension fund management expenses in accordance with the CIPFA guidance accounting for Local Government Pension Scheme Management Costs.

Administrative expenses

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

Oversight and governance costs

All oversight and governance expenses are accounted for on an accrual basis. All staff costs associated with governance and oversight is charged direct to the fund. Associated management advisory services, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment management expenses

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

All expenses are recognised on an accrual 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 2015/16 amounted to £1133.03 and the value of the fund as at 31 March 2016 was ££1.3m.

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

2014/15 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2015/16 £'000	Note
Income			
33,902	Employer contributions	34,862	2a
10,917	Members contributions	11,159	2
1,696	Transfers in from other pension funds	1,917	3
2,670	Other Income	2,623	4
49,185	Total Income	50,561	
Expenditure			
(45,467)	Benefits payable	(52,014)	5
(3,363)	Payment to and on account of leavers	(1,653)	6
(48,830)	Total Expenditure	(53,667)	
(2,544)	Management Expenses	(3,474)	7
(2,189)	Net additions/ (withdrawals) from dealing with members	(6,580)	
Returns on investments			
12,334	Investment income	12,762	8
103,016	Change in market value (realised & unrealised)	(9,576)	
115,350	Total Returns on investments	3,186	
Net return on investments			
113,161	Net increase/decrease in fund in year	(3,394)	
974,016	Opening net assets of the scheme	1,087,177	
1,087,177	Closing net assets of the scheme	1,083,783	

Net Assets Statement

2014/15 £'000	Net Assets Statement for the year ended 31 March 2015	2015/16 £'000	Note
Investments			
1,067,966	Investment assets	1,068,813	9
19,089	Other Investment and Cash	14,492	9
1,087,055	Total Investments	1,083,305	
Current Assets and Liabilities			
4,885	Current assets	5,609	10
(4,763)	Current liabilities	(5,131)	11
122	Net Current Assets	478	
1,087,177	Net assets of the scheme at 31 March	1,083,783	

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 statement of accounts summarises the fund's transactions for 2015/16 financial year and its positions as at 31st March 2016. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of future liabilities to pay pensions and other benefits which fall due after the end of financial year.

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 14 of these accounts.

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*	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Administering Authority						
Islington Council	29,796	30,769	-	-	1,426	2,267
Scheduled Bodies						
St Mary Magdalene	254	244	-	-	-	-
City of London Academy	112	110	-	-	-	-
New North Community School	58	90	-	-	-	-
William Tyndale School	69	67	-	-	-	-
The Courtyard School	18	20	-	-	-	-
Stem 6th form Academy	5	5	-	-	-	-
Elliot Foundation	16	13	-	-	-	-
The Bridge School Academy	-	23	-	-	-	-
Family School Academy	-	1	-	-	-	-
Whitehall Park School	5	4	-	-	-	-
Admitted bodies						
CSV	902	626	700	-	106	-
Aquaterra	0	-	-	-	27	-
Circle Anglia	21	18	-	-	-	-
Camden & Islington NHS Foundation Trust	65	135	-	-	-	-
Notting Hill Trust	-	-	-	-	-	-
NCP Services (Islington South)	21	22	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	22	20	-	-	58	-
Southern Housing Group	6	6	-	-	-	-
Braithwaite	4	4	-	-	-	-
Pleydell	16	16	-	-	-	-
Caterlink	143	144	-	-	-	-
Mouchel Parkman	-	-	-	-	-	-
Cofely Workplace Ltd (Balfour Beatty)	111	97	-	-	-	-
R M Education	12	9	-	-	-	-
**Kier support Services	141	-	(356)	-	-	-
Breyer Group	18	18	-	-	-	-
Mears Ltd	35	35	-	-	-	-
WJ Catering	-	5	-	-	-	-
Isledon Arts CIC	-	11	-	-	-	-
Greenwich Leisure Ltd	91	83	-	-	-	-
Totals	31,941	32,595	344	0	1,617	2,267

*Note 15 provides further information regarding "Strain Recovery"

* *One off payment owed to Kier as per 2013 valuation

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)	
	2014/15 £'000	2015/16 £'000
Administering Authority		
Islington Council	10,283	10,675
Scheduled Bodies		
St Mary Magdalene	134	130
City of London Academy	54	53
New North Community School	20	26
William Tyndale School	15	16
The Courtyard School	10	11
Stem 6th form Academy	5	5
Elliot Foundation	17	12
Bridge School Academy	-	8
Family School Academy	-	-
Whitehall Park School	2	2
Admitted bodies		
CSV	115	21
Aquaterra	-	-
Circle Anglia	2	1
Camden & Islington NHS Foundation Trust	7	18
NCP Services (Islington South)	9	9
SSE Contracting Ltd (Islington Lighting)	6	5
Southern Housing Group	1	2
Braithwaite	2	2
Pleydell	6	6
Caterlink	54	54
Cofely Workplace Ltd (Balfour Beatty)	40	36
R M Education	7	5
Kier Support Services	69	-
Breyer Group	7	8
Mears Ltd	12	12
WJ Catering	-	1
Isledon ArtsCIC	-	5
Greenwich Leisure Ltd	40	36
Totals	10,917	11,159

3. Transfers in

2014/15 £'000	Transfers in	2015/16 £'000
-	Group transfers in from other schemes	-
1,696	Individual transfers in from other schemes	1,917
1,696	Total transfers in	1,917

4. Other Income

2014/15 £'000	Other Income	2015/16 £'000
0	Income from Other Investments	0
0	Interest	0
2,670	Other	2,623
2,670	Total other income	2,623

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	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Administering Authority						
Islington Council	35,887	37,537	5,603	9,728	648	1,317
Scheduled Bodies						
St Mary Magdalene	7	12	-	80	-	-
City of London Academy	7	28	32	49	-	24
William Tyndale School	-	5	-	-	-	-
New North Community School	9	9	-	-	-	-
Admitted bodies						
Volunteering Matters (CSV)	951	1,017	162	184	21	-
Aquaterra	213	223	-	27	-	-
Circle Anglia	53	58	51	-	-	-
Camden & Islington NHS Foundation Trust	51	51	-	-	-	-
CEA	812	807	-	4	-	-
FSST	6	5	-	-	-	-
Kier Islington Ltd (Caxton)	581	587	-	-	-	-
NCP Services (Islington South)	30	33	15	-	-	-
SSE Contracting Ltd (Islington Lighting)	33	36	34	-	-	-
Redbrick	2	2	-	-	-	-
Mouchel Parkman	31	31	-	-	-	-
St Lukes	2	2	-	-	-	-
ALA	15	17	22	-	-	-
Brunswick	9	9	-	-	-	-
Cushman & Wakefield LLP	7	7	-	-	-	-
London Property Maintenance	0	-	-	-	-	-
Caterlink	11	12	33	9	2	22
Notting Hill Trust	12	9	-	-	-	-
Kier Support Services	18	20	91	-	-	-
Cofely Workplace Ltd (Balfour Beatty)	2	9	-	-	-	-
Greenwich Leisure Ltd	4	16	-	27	-	-
Totals	38,753	40,542	6,043	10,108	671	1,363

6. Payments to and on Account of Leavers

2014/15 £'000	Payment to and on Account of Leavers	2015/16 £'000
37	Refunds of Contributions	95
3,326	Individual Transfer	1,558
3,363	Total payments to and on account of leavers	1,653

7. Management Expenses

2014/15 £'000	Management Expenses	2015/16 £'000
1,172	Administrative Cost (7a)	1,219
1155	Investment Management Expenses (7b)	1,898
217	Oversight and Governance Cost (7c)	357
2,544	Total Management Expenses	3,474

7(a) Administrative Expenses

2014/15 £'000	Administrative expenses	2015/16 £'000
727	Employee Cost	895
445	Support services	320
0	Other expenses	4
1,172	Total administrative expenses	1,219

All other costs of administration are borne by Islington Council.

7(b) Investment Expenses

2014/15 £'000	Investment Expenses	2015/16 £'000
1,094	Management Fees	1,852
61	Custody Fees	46
1,155	Total investment management expenses	1,898

7(c) Oversight and Governance Cost

2014/15 £'000	Oversight & Governance Cost	2015/16 £'000
29	Performance Management Services	32
123	Advisory Services Fees	77
44	Operation and Support	224
0	Actuarial Fees	3
21	Audit Fees	21
-	Legal Fees	-
217	Total Oversight & Governance Cost	357

8. Income from Investments

2014/15 £'000	Investment Income	2015/16 £'000
16,973	Dividends from equities	15,480
(6,929)	Income from other investments vehicles	(5,062)
2,290	Net rents from pooled investment properties	2,357
-	Interest on cash deposits	-13
12,334	Total Investment income	12,762
-	Irrecoverable withholding tax	-
12,334	Total Investment income	12,762

9. Investments

Investments	Market value 01 Apr 15 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 16 £'000
Fixed interest securities	85	-	-	(3)	82
Indexed linked securities	121	-	-	(1)	120
Equities	565,199	124,089	211,477	(91,872)	385,939
Pooled investment vehicles (P.I.V)	307,594	101,123	1,079	62,172	469,810
Other Investment - P.I.V	-	-	-	-	-
Properties - P.I.V	152,050	12,624	5,405	16,282	175,551
Private Equity - P.I.V	42,917	2,825	12,276	3,845	37,311
Venture Capital	-	-	-	-	-
Total	1,067,966	240,661	230,237	(9,577)	1,068,813
Other Investment & Cash	19,089				14,492
Total Investments	1,087,055				1,083,305

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 through 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		2014/15	2015/16
		£'000	£'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		85	82
Total Fixed interest securities		85	82
Index -linked			
UK public sector quoted		121	120
Total Index -linked		121	120
Equities (valued at Bid Price)			
UK quoted		283,548	216,072
Overseas quoted		281,651	169,867
Total Equities		565,199	385,939
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	89,008	100,053
	Other : Bond	221,099	220,821
Overseas Managed Funds	Other : Equity	75,882	69,784
	Property	15,780	19,747
	Other : Private Equity	42,917	37,311
UK Unit trusts (valued at Bid Price)	Property	47,262	55,751
	Other	10,613	179,205
Total Pooled investment vehicles		502,561	682,672
Insurance policies			
Insurance policies		-	-
Other investment balances (valued at Amortised cost)			
Outstanding trades		2,621	(2,251)
Outstanding dividends & RWT		(2,096)	2,638
Cash deposits : Sterling		18,564	14,105
Total Other investment balances		19,089	14,492
Total Investment Assets		1,087,055	1,083,305

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. Current Assets

2014/15 £'000	Current Assets	2015/16 £'000
4,416	Contributions due from Employers & Employee	1,911
76	Sundry Debtors	101
393	Cash Balances	3,597
4,885	Total	5,609

11. Current Liabilities

2014/15 £'000	Current Liabilities	2015/16 £'000
(576)	Accrued Benefits	(2,206)
(2,520)	**Sundry Creditors	(1,956)
(1,230)	*Receipt in Advance	(615)
(437)	Accrued Expenses	(354)
(4,763)	Total	(5,131)

* CSV Advance lump sum payment for 2015-17

** Central Recharges & One off IT Cost

12. Expenditure

a) Benefits provided by the scheme include:

- Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

- Redundancy and or Efficiency subject to minimum age condition of 55
- Flexible Retirement subject to minimum age condition of 55
- Ill- Health Retirement subject to approval by Council's medical adviser

b) Lump sum payments on retirement or death in service.

	Service Pre 1 April 2008	Services Post 31 March 2008	Service Post 31 March 2014
Pension	Each year worked is worth 1/80 x pensionable salary	Each year worked is worth 1/60 x pensionable salary	Each year worked is worth 1/49 x pensionable salary
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one -off tax -free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

c) A contributor who voluntarily leaves with less than two year's membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme.

However, if the contributor was in the scheme before 1 April 2014, and leave after then and has have been in the scheme for three or more months but less than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme

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.

13. Income

Income is credited to the Pension Fund consisting mainly of:

a) Employees' contributions ranging between 5.25% and 12.5% 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 2013, effective from 1 April 2014 fixed at 12.5% 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 two years. A lump sum contribution of £x10.137m was made in 2015/16.

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

14. 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 came into effect in terms of altered employer contributions from 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 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 of 2.6% 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

15. Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2014/15 No's	2015/16 No's	2014/15 No's	2015/16 No's	2014/15 No's	2015/16 No's	2014/15 No's	2015/16 No's
Employees Contributing into the Fund	5,500	5,454	187	146	201	327	5,888	5,927
Pensioners	4,654	4,906	360	377	9	14	5,023	5,297
Widows/ Children's Pensions	885	929	43	46	-	5	928	980
Deferred Benefits	7,104	7,272	752	775	86	136	7,942	8,183
Totals	18,143	18,561	1,342	1,344	296	482	19,781	20,387

16. Additional Voluntary Contributions

2014/15		2015/16	
<i>Market Value</i>	Additional Voluntary Contribution	<i>Market Value</i>	<i>Market Value</i>
<i>£'000</i>		<i>£'000</i>	<i>£'000</i>
1,072	Prudential	1,014	
237	Equitable life	206	
98	NPI	84	
1,407	Total Additional Voluntary Contributions	1,304	

17. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2015/16

18. Contractual Commitments.

There were no contractual commitments at the period end.

19. 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 deferred members of the LGPS.

As at 31 March 2016, Islington Council owed the Pension fund £1.59m (£4.1m 2014-15). Full contributions from the Council for the year are disclosed in table 2a.

20. Post Balance Sheet Events

On 23 June 2016 the UK electorate voted to leave the European Union. After an initial fall on 24th June, stock markets have generally recovered. However, uncertainties are likely to remain until negotiations around the UK leaving the European Union are completed. It is therefore impossible at this time to quantify the impact of the election result but the fund is diversified to mitigate risk and take advantage of any opportunities.

21. 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.

22. 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 31/03/16 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	261,946	10.60%	289,712	234,180
Overseas Equities	276,193	10.60%	306,188	246,198
Total Bonds	223,047	6.04%	236,519	209,575
Pooled Multi Asset	96,983	4.37%	101,221	92,745
Cash	11,964	0.01%	11,965	11,963
Property	175,680	2.12%	179,404	171,956
Private Equity	37,691	5.39%	39,723	35,659
Total Assets	1,083,504	6.51%	1,154,040	1,012,968

The % change for Total Assets includes the impact of correlation across asset classes

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 below 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 31/03/16 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities-Euro	34,818	3.44%	36,015	33,621
Overseas Equities- Yen	11,603	3.44%	12,002	11,204
Overseas Equities-US Dollar	85,930	3.44%	88,885	82,975
Overseas Equities -global basket	75,279	3.44%	77,867	72,691
Overseas Equities - Emerging Market	68,562	3.44%	70,919	66,204
Total Assets	276,192	3.44%	285,688	266,695

23. 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 2016	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	1,031,502	51,803	-	1,083,305
Loans and Receivables	-	5,609	-	5,609
Total Financial Assets	1,031,502	57,412	0	1,088,914
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(5,131)	-	(5,131)
Total Financial Liabilities	0	(5,131)	0	(5,131)
Net Financial Assets	1,031,502	52,281	0	1,083,783

Values at 31 March 2015	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	1,025,049	62,006	-	1,087,055
Loans and Receivables	-	4,885	-	4,885
Total Financial Assets	1,025,049	66,891	0	1,091,940
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(4,763)	-	(4,763)
Total Financial Liabilities	0	(4,763)	0	(4,763)
Net Financial Assets	1,025,049	62,128	0	1,087,177

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. These instruments include our private equity managers and cash held in the fund.

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.

24. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2014/15 £'000	2015/16 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self managed	268,456	198,162
Overseas quoted - LBI self managed	60,679	41,447
CASH DEPOSITS		
Sterling	5,626	9,102
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,923	1,626
Outstanding trades	0	0
FIXED INTEREST		
UK	85	82
INDEX-LINKED		
UK	121	120
POOLED FUNDS		
UK	7,637	6,932
Total LBI In House Fund	344,527	257,471
Newton		
EQUITIES		
Overseas quoted - NEWTON	130,152	128,420
UK quoted - NEWTON	11,808	17,910
CASH DEPOSITS		
Sterling	4,384	7,812
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	478	767
Outstanding trades	239	-2,251
Total Newton	147,061	152,658
RCM / LONDON CIV		
EQUITIES		
Overseas quoted - RCM	90,820	0
UK quoted - RCM	3,284	0
POOLED FUNDS		
Other	2,968	75,279
CASH DEPOSITS		
Sterling	4,068	116
Other	0	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	220	245
Outstanding trades	0	0
Total RCM	101,360	75,640

Investment Assets by Fund Manager (contd.)	2014/15 £'000	2015/16 £'000
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	221,099	220,821
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	20,067	16,405
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	22,850	20,906
Aviva Lime Property		
UK UNIT TRUSTS		
Property	47,262	55,751
Threadneedle Pensions		
POOLED INVESTMENT: Property	66,085	74,205
Baring English Growth Fund		
UK UNIT TRUSTS	8	11
Thesis		
POOLED INVESTMENT: Property	22,923	25,847
BNY Mellon		
CASH DEPOSITS : Sterling	2,151	-2,924
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	75,882	69,784
Franklin Templeton		
Pooled Investment Global Property	15,780	19,747
Schroders		
Pooled Investment Multi Asset		96,983
Total Investment Assets	1,087,055	1,083,305

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 or 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.

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 KPMG LLP, who have 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.

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.

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.

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 currently expressed as 4% of the Council's General Fund capital financing requirement.

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.

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.

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.

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. It includes 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 NDR 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.

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).

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.

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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