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AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

29 July 2019

SECOND DESPATCH

Please find enclosed the following items:

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25 July 2019

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ISLINGTON

Finance Department, 7 Newington Barrow Way, London, N7 7EP

Report of: Chief Accountant (Deputy s151 Officer)

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	29 July 2019		ALL

STATEMENT OF ACCOUNTS 2018/19 (INCLUDING PENSION FUND ACCOUNTS) AND AUDIT FINDINGS REPORT

1. SYNOPSIS

1.1 Islington is determined to achieve its vision of a "Fairer Islington". Significant amongst these is the achievement of sound financial management and confidence in this Council's financial future. This report sets out the Statement of Accounts for 2018/19. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council's financial future.

2. RECOMMENDATIONS

2.1 To approve the 2018/19 Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement.

2.2 To note the auditor's Audit Findings Reports and Value for Money conclusion.

2.3 To agree the action plans of recommendations in the Audit Findings Reports.

2.4 To approve the letter of representation set out in Appendix B.

3. BACKGROUND

3.1 The purpose of this report is to report the outcome of the audit of the draft Statement of Accounts that were presented to the Auditors at the end of May 2019 and the details of the Auditor's Audit Findings Report.

3.2 The Committee is required to approve the Statement of Accounts by 31 July 2019, including the accompanying Annual Governance Statement (as approved at the June Committee).

3.3 There is also the requirement that a general letter of representation on behalf of the Council's management be provided to the Auditor.

4. STATEMENT OF ACCOUNTS 2018/19

4.1 The Council is required to prepare financial accounts covering the period from 1st April to 31st March, each year. These statements have to be presented in the required statutory format, following the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code)*, which means that the financial information contained in the Statement of Accounts will be presented in a different way to how it is normally reported in financial monitoring reports.

4.2 This was the second year of the new earlier submission deadlines, when both the Council and the Auditors have one less month than before to complete their respective tasks. The shorter timescales have required both the Council and its auditors to complete their work in a more intense way. Additionally, this was the first year of the Council's new auditors, Grant Thornton, and required them to undertake greater work than in a normal audit year to gain adequate assurance over and knowledge of the Councils' financial accounts and the systems underpinning them.

4.2 Between Monday 3rd June and Friday 12th July, the accounts and supporting documentation were made available for public inspection. During this period the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on the Council's website.

4.3 After several years of continuous major changes there were only a few, but important changes in accounting requirements or policies since the previous year. These will be explained in a presentation at the Committee meeting but there were no significant implications of these changes to the Council's Statement of Accounts. The focus this year was in meeting the shorter timescales, supporting the new auditors and demonstrating the impact of these changes. The audit has shown that the Council has successfully managed these issues without impacting on the quality of the financial information.

Quality Assurance

4.5 As in previous years, the closing of accounts timetable, despite staff vacancies, had a process of internal quality assurance.

Highlights

4.7 The Statement of Accounts is a very complex document. In order to aid understanding, a presentation will be made setting out the key elements and highlights from the accounts.

4.8 The Statement of Accounts (including Pension Fund) are expected to receive a clean audit opinion from the Council's auditors. The Auditor has found the draft accounts submitted to audit to be on time and complete. Two changes have been made, one immaterial and one material. The immaterial adjustment relates to the inclusion of a Section 75 Pooled Budget in the draft accounts meaning the gross income and expenditure within Adults Social Services was overstated by £2.8m each. This has been adjusted for and there was no impact on the net expenditure.

4.9 The material adjustment is due to an event beyond the Council's control. Since the publication of the draft accounts on 31st May 2019, the Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. This is known as the McCloud Case. The legal ruling around age discrimination has implications not just for these pension schemes, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. The Council's Pension Fund Actuaries have reviewed the implications of this ruling upon the Council's Pension Fund liabilities and have determined that the liability has increased by £103m. As this is a material amount the Accounts have been adjusted accordingly.

4.10 No other material adjustments are proposed to the Council's Accounts.

4.11 The Auditors are also reporting that supporting working papers supplied during the audit were of a high quality and Council officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

4.12 The Statement of Accounts should be formally published with the audit opinion at the end of July.

5. AUDIT FINDINGS REPORT

5.1.1 The Auditor's draft Audit Findings Reports for the year ended 31 March 2019 are attached at Appendix A. They summarise the findings of the 2018/19 audit which is substantially complete, with just a few queries remaining at the time of writing.

5.1.2 The Auditor will attend the meeting of the Committee to present his findings and update the Committee on any matters that may have arisen since the publication of his report. The key elements of the report are summarised below.

Value for Money Conclusion

5.2 The Auditor intends to issue an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Management Representation Letter

5.3 It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out various representations. Appendix B sets out a draft of the letter that will be signed by the Council's Statutory 151 Officer and Chair of the Audit Committee on behalf of the council's management. If there is any material change to the letter prior to its signing and communication to the Auditor, this will then need to be reported to the Committee.

Adjusted Amendments

5.4 The Council's main Statements of Accounts were free from material error. Apart from the McCloud Case adjustment (detailed in paragraph 4.9), the Audit Findings Report should confirm that only very minor presentational or immaterial adjustments were made to the Statements.

Unadjusted Amendments

5.5 There was one proposed amendment to the prior year figures in the Statements of Accounts which the Council had decided not to adjust for on grounds of materiality. The adjustment would have moved £18m from Debtors to the Pensions Liability. As it would be an adjustment between two elements of the Balance sheet the net position would not have changed.

Recommendations

5.6 The auditor has made a number of recommendations to further improve system controls. The Council has accepted all of these and believes it can address them in a timely manner.

6. IMPLICATIONS

Financial Implications

6.1 These are contained within the body of the report.

Legal Implications

6.2 Section 3(3) of the Local Audit and Accountability Act 2014 and Regulation 7 of the Accounts and Audit Regulations 2015 require a local authority to prepare an annual statement of accounts. Regulation 9(1) requires that the responsible financial officer (the Section 151 officer) certifies the statement no later than 31st May following the end of the financial year. The statement must be recertified, considered, approved by the Council or an appropriate committee and published (along with the auditor's opinion) by no later than 31st July (Regulations 9(2) and 10(1)). As the approval of accounts is a non-executive function, the appropriate committee is the Audit Committee. Regulation 9(2) requires the approved accounts to be signed by the person presiding over the meeting that approved them, in other words, by the chair. Following approval by the committee and signature by the Chair, the accounts will then be formally posted onto the Council's website and copies will be distributed as appropriate. The annual governance statement must also be approved by the committee (approved June 2019 Committee) and published on the council's website by 31 July (regulations 6(2) and 10(1)).

Environmental Implications

6.3 There are no direct environmental implications.

Resident Impact Assessment

6.4 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been carried out in this instance, since the production of the Statement of Accounts is a legal requirement.

7. CONCLUSION

7.1 The significant effort of all concerned in producing the statement of accounts and supporting the audit has been rewarded with a clean audit sign-off and an encouraging Audit Findings Report. The Audit Committee can be confident that the Council is well positioned to continue to report its financial activities and address the recommendations made by the auditors.

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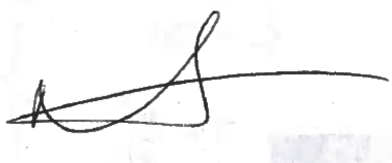
Appendices

A Audit Finding Reports 2018/19
B Letter of Representation
C Statement of Accounts 2018/19 including Pension Fund Accounts
D Annual Governance Statement 2018/19

Background papers:
None

Signed by			
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The Audit Findings
for London Borough of Islington

Year ended 31 March 2019

July 2019

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Appendices

A. Action plan

B. Audit adjustments

C. Fees

D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Islington Council ('the Council' or 'you') and the preparation of your financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements: • give a true and fair view of the financial position of the Council and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work commenced on site in June. Our findings are summarised on the following pages. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix D) or material changes to the financial statements, subject to the satisfactory resolution of the outstanding matters detailed on the following page. One material adjustment was required to your accounts. This related to an increase in past service costs in light of the McCloud-Sarjeant pensions ruling. This required management to request an updated actuarial report. The court matter was only finalised in June, after the accounts had been prepared for audit. We also identified one prior year unadjusted errors which is not material. Management has not amended the accounts in respect of this error. Details of the error is set out in Appendix B. We have raised recommendations for management as a result of our audit work in Appendix A. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. Our anticipated audit report opinions will be unmodified. Our proposed opinions are subject to the satisfactory resolution of the outstanding matters outlined on the following page.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of your value for money arrangements. We have concluded you have proper arrangements to secure economy, efficiency and effectiveness in your use of resources. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 16 to 23.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional powers or duties. We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete the required audit work on the Whole of Government Accounts return, in advance of the deadline of 13 September.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of your internal controls environment, including your IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our Audit Plan, as communicated to you in February 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to the satisfactory completion of outstanding matters, we anticipate issuing an unqualified audit opinion, as detailed in Appendix D. These outstanding matters include:

- receipt and review of supporting documentation for items sampled for testing in respect of debtors and revenue
- review of your proposed pension amendments as a result of the McCloud judgement to the primary statements and notes to the accounts
- completion of our review of the going concern, Narrative Report and Annual Governance Statement, PFI models, Financial instruments note and Other Land and Buildings and Council Dwelling valuations including assets not revalued in the year
- completion of our work to issue our whole government accounts assurance statement, which can only be undertaken once the financial statements audit is complete
- receipt and review of management representation letters
- complete our accounts closing procedures
- receipt and review of the final set of financial statements; and
- audit manager and engagement lead review of the work performed on the audit file and satisfactory follow-up and resolution to any queries raised.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality calculations remain the same as reported in our Audit Plan.

Our assessment of the value of materiality has been adjusted to account for the reduction in gross expenditure in Surplus/Deficit on Provision of Services within the draft Comprehensive income and expenditure statement.

	Council Amount (£)
Materiality for the financial statements	21,100,000
Performance materiality	14,700,000
Trivial matters	1,050,000

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Management override of controls** *As set out in our Audit Plan* *Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority face external scrutiny of spending and activity, and this could potentially place management under undue pressure in terms of how they report performance.* *We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement for the Authority.*	**Auditor commentary** We have: • documented the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work is substantially complete and awaiting the resolution of residual queries. Our testing of journals identified 4 manual journals posted by system administrators with super user rights. To ensure separation of duties, we would typically expect such journals to be posted by the finance team. The finance team is currently investigating our findings. We recommend a review of systems access to your financial systems and ensure super user access is restricted to appropriate persons. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.
2	**Improper revenue recognition** *risk as reported in Audit Plan*	**Auditor commentary** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of your revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Islington Council, mean that all forms of fraud are seen as unacceptable Our assessment remains unchanged and we do not consider this to be a significant risk.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
❸ **Valuations of Property, Plant and Equipment** *As set out in our Audit Plan* *You revalue your HRA assets on a rolling five-yearly basis, operational land and buildings on a rolling three-yearly basis and Investment Properties on a yearly basis. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£4 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value, or the fair value (for surplus assets), at the financial statements date where a rolling programme is used.* *Valuations are given as at 1 April, and are updated to the 31 March with reference to assumptions within market update reports provided by the respective valuers.* *We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.*	**Auditor commentary** We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation experts • written to the valuers to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into your asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied. Our work is in progress. To date, we have not identified any material issue. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
4 **Accuracy and presentation of the Private Finance Initiative (PFI) liabilities and associated disclosures** *As set out in our Audit Plan* *You have six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, a Street Lighting scheme and a Care Homes scheme.* *As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.*	**Auditor commentary** We have: • reviewed your PFI models and assumptions contained therein. • compared your PFI models to previous year to identify any changes. • reviewed and test the output produced by your PFI models to generate the financial balances within the financial statements. • reviewed the PFI disclosures to assess whether they are consistent with the Manual For Accounts and the International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models. Our audit work is substantially complete. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
5	**Valuation of the pension fund net liability** *As set out in our Audit Plan* *Your pension fund net liability, as reflected in your balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.* *The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£803 million in your balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.* *We therefore identified valuation of your pension fund net liability as a significant risk of material misstatement*	**Auditor commentary** We have: • gained an understanding of the processes and controls put in place by management to ensure your pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • assessed the accuracy and completeness of the information provided to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We noted the actuary's estimate of the pension liability was as at 28 February 2019. We requested management confirm from the actuary that the liabilities was not materially different by year end. During the audit period, the impact of the McCloud transitional protection pensions ruling arose. The Court of Appeal ruled in December 2018 that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was refused in late June 2019. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies. Management requested estimates from their actuary of the potential impact of the McCloud ruling along with updates of the pension liability as at 31 March 2019. The revised report was provided for audit on 16 July 2019. The actuary's estimate was of a possible increase in past service cost and overall pension liabilities of £102m. In conjunction with auditor's experts, we reviewed the analysis performed by Mercers to consider whether the approach that has been taken to arrive at these estimates is reasonable. No material issues were noted in this review. Following receipt of this revised actuarial report, management is in the process of updating the financial statements to reflect the revised liability and impact on the cost of service. We received the amendments on 23 July. We are currently reviewing the amendments to the statements and related notes. Additionally, we noted an uncorrected prior period error within the Opening Balance Sheet. It relates to the pension prepaid lump sum made in 2017/18 relating to 2018/19 and 2019/20 of £18m which was disclosed within last years accounts as a debtor, rather than being netted off against the pension liability. You have correctly accounted for the prepayments via the pension liability and reversed the debtor entry within 2018/19 but not restated the corresponding opening Balance Sheet. You have opted not to amend the opening Balance Sheet as the net impact isn't material to the statements. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified risk.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £16.5m	You are responsible for repaying a proportion of successful rateable value appeals. The calculation for the provision is performed internally by the team responsible for monitoring Business Rates collection across the area. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision included within the accounts has increased significantly in 2018-19 due to you taking part in the Business Rate Retention Scheme across London, which whilst increasing the level of income you receive, also means you take on more of the risk of non-collection.	We reviewed: • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against peers/industry practice • reasonableness of decrease in estimate • adequacy of disclosure of estimate in the financial statements. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified judgements.	Green
Land and Buildings – Council Dwellings - £3,021m as at 31 March 2019 (NBV)	You own 25,274 dwellings held within your Housing Revenue Account and are required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. You have used an externally qualified RICS valuer, Wilks Head and Eve LLP, to complete the valuation of these properties. The year end valuation of Council Dwellings was £3,021m, a net decrease of £145m from 2017/18 (£3,166m).	• The valuer has correctly prepared the valuation using the stock valuation guidance issued by MHCLG, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4, there are no material issues arising to draw to the attention of those charged with governance in respect of the identified judgements.	(WIP)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £671m (NBV)	Other land and buildings comprises of specialised assets, such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. You have used your internally qualified RICS valuer to complete the valuation of these properties.as at 31 March 2019 on a five yearly cyclical basis. 48% of total assets were revalued during 2018/19. The valuation of properties valued by the In-house valuer has resulted in a net increase of £43.6m. The total year end valuation of Other land and buildings was £671m, a net increase of £45m from 2017/18 (£626m).	• We have assessed your In-house valuer to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information used to determine the estimate, and have no issues to report. • The valuation method remains consistent with the prior year. • We confirm consistency of estimate against the Gerald Eve report on property market trends, and reasonableness of the increase in the estimate. • We have agreed the valuation report to the fixed asset register and the financial statements. Subject to the conclusion of our remaining audit work in this area and the satisfactory completion of outstanding work set out on page 4 (including assets not revalued in the year), there are no material issues arising to draw to the attention of those charged with governance in respect of the identified judgements.	(WIP)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £813m	Your net pension liability at 31 March 2019 is £813m, before consideration of the impact of the McCloud pensions ruling outlined elsewhere in this report (PY £277m) or adjusting IAS19 report to 31 March 2019. The Council used Mercers to provide actuarial valuations of its assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. The next full actuarial valuation will be carried out in 2019. A roll forward approach from the last valuation in 2016 has been used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See below	● **Green**

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Audit Comments

- We have assessed the actuary, Barnett Waddingham, to be competent, capable and objective.
- We have performed additional tests in relation to accuracy of contribution figures and benefits paid to gain assurance over the 2018/19 roll forward calculation carried out by the actuary. Our work in this area is in progress.
- We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.40%	2.40% - 2.50%	●
Pension increase rate	2.30%	2.20% - 2.30%	●
Salary growth	3.70%	3.10% - 4.35%	●
Future pensioner aged 65 in 20 years time Male (Female)	25.1 (28.4)	Assumptions reasonable	●
Current pensioner aged 65 Male (Female)	22.9 (26.1)	Assumptions reasonable	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2018/19 to the valuation method.
- Reasonableness of increase in estimate – our work confirms that the increase in the IAS 19 estimate is reasonable.

Other than the issue raised on page 8 of this report, our audit work has not identified any material issues in relation to the pensions disclosure. The actuarial assumptions made by Mercer LLP and accepted by the Council were reviewed by the audit team. Our review concluded that the assumptions made by Mercer LLP were reasonable following discussions with management. In respect of the assumptions, we continue to recommend that management keeps these under review for future periods in order to ensure that they remain appropriate to your circumstances.

Assessment

- ● We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary	
1	**Payroll testing**	• Our payroll testing is currently in progress. We noted from our sampling one instance from school payroll where the allowances had been paid twice in a particular month. Your exception report review focuses on month on month variance in excess of 40% and this error was below this threshold and was not identified. We extrapolated the error and concluded the impact was trivial. • There is insufficient evidence at this stage to assess if the error was a system, input and/or deliberate error.	**Auditor view** You should review the adequacy of the set exception threshold level of 40% for reasonableness. We recommend you enhance your exception reporting by reviewing a sample of exceptions below the 40% threshold. **Management response** Agreed. A review of the access rights to the system will be undertaken.

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Significant findings - Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
The Statement of Accounts has been prepared on a 'going concern' basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future.	As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). Many of the potential future liabilities that you face continue to be, unpredictable in timing and scale. However, we are satisfied that you remain in close liaison with the relevant parties to ensure that your budgeting and forecasting are based on the most up to date information, and ensure that central support is secured where necessary. We have reviewed in detail your 2019/20 budget and Medium Term Financial Strategy and have assessed the underlying assumptions and dependencies to be reasonable. We have also reviewed management's cashflow forecast up to 31 July 2020. We do not consider there to be a material uncertainty which could cast doubt on your ability to continue as a going concern. You hold £285m of useable reserves as at 31 March 2019 which includes £92.3m General and Earmarked reserves. Based on this, we are satisfied that it remains appropriate for you to prepare accounts on a going concern basis as at 31 March 2019. You have a reasonable expectation that services you provide will continue for the foreseeable future. For this reason we considered it appropriate for you to continue to adopt the going concern basis in preparing the financial statements.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Council.
5	**Confirmation requests from third parties**	• We obtained direct confirmations from the PWLB loans and requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests sent. • We received all confirmations and no issues arising..
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided.

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Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	• We are required to give an opinion on whether the other information published together with your audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. The Narrative Report is balanced and largely covers the expected content as per the Code of Practice. Our review is substantially complete. Subject to the satisfactory conclusion of our review, we plan to issue an unmodified opinion in this regard.
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement (AGS) does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties Our review of the AGS is in progress. To date, we have nothing to report on these matters.
3	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £500m, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work will take place following the completion of the financial statements audit. We will complete the required procedures in advance of the reporting deadline of 13 September 2019.
4	**Certification of the closure of the audit**	We are unable to certify the closure of the 2018/19 audit until the required procedures in respect of the WGA outlined under point 3 above have been performed. This necessarily takes place following the conclusion of the financial statements audit. This is reflected in the audit opinions. We intend to certify the closure of the audits in advance of the WGA reporting deadline of 13 September 2019.

Value for Money

Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:

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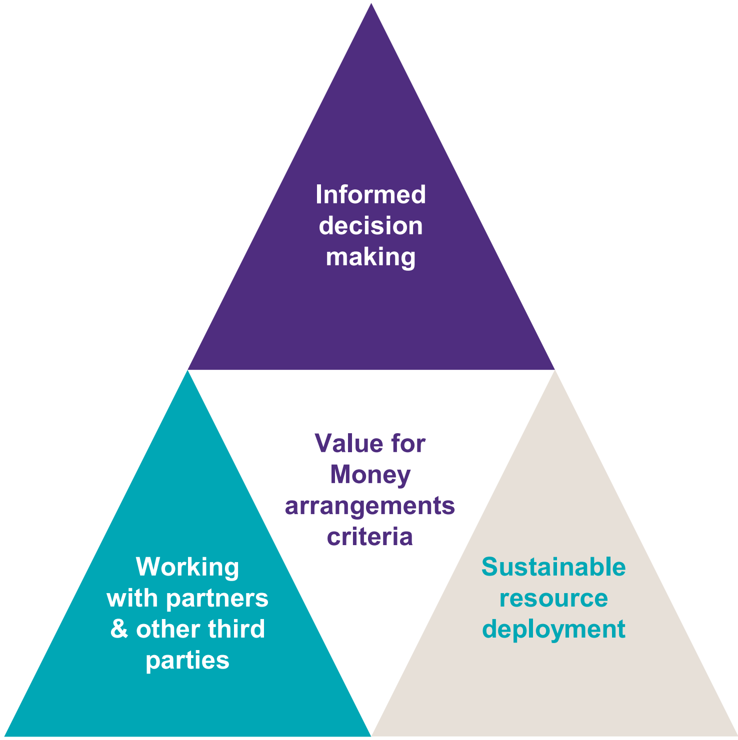

Risk assessment

We carried out an initial risk assessment during January and February 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated the risks below to you in our Audit Plan dated 11 March 2019.

- Medium-term financial planning
- Change and transformation programmes and governance.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial outturn for 2018/19
- Budget for 2019/20
- Medium Term Financial Strategy for the next three years, including underlying assumptions and forecast savings plans
- Council Plan

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 23.

Additionally, we considered the results from regulatory bodies including Ofsted. You had a focused visit of your children's services by Ofsted in April 2018. The review focused on your arrangements for vulnerable adolescents in accordance with the Inspection of Local Authority Children's Services framework (ILACS). The overview concluded:

- the service provision for vulnerable adolescents was strong and robust
- there is a determined focus to improve outcomes for these young people across the council
- risks to vulnerable adolescents considered during this visit were identified well and comprehensively assessed
- partnership working is strong within the council as well as with partner agencies and the voluntary sector.

The report also highlighted following two areas for improvement:

- plans considered during this visit for children are not universally clear
- insufficient analysis of all recorded information to inform case planning in a small number of return home interviews.

We also considered the results of the Joint targeted area inspection of the multi-agency response to sexual abuse in the family in Islington issued in January 2019. The report highlighted a number of strengths along with some areas for improvement.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings and Conclusion
1	**Medium Term Financial Planning** *As set out in our Audit Plan* *In the context of tightening central government funding over recent years and rising demand for your services, you have identified the need to close your revenue budget gap of £50 million over the next three years. You will be required to make significant savings in areas where these have not previously been necessary, in order to close the budget gap in the medium term.*	<u>2018/19 outturn</u> In 2018/19 you reported a net revenue underspend of around £5.5 million, a successful outcome for you and your taxpayers. The underspend will be transferred to both the Insurance Fund provision and Insurance Fund earmarked reserve, leaving you with a net break-even position. The underspend was reflected across all but one of your directorates, the exception being Environment and Regeneration which ended the year with a net overspend of £0.6 million. Your underspends consisted of a number of one-off factors such as managing existing vacancies, improved Better Care Fund income levels, unbudgeted business rates retention levy surplus grant and savings in running costs. Your Treasury Management Strategy of short-term borrowing at low interest and unbudgeted investment income also yielded £2.8 million of unplanned savings. The underspends across the directorates also meant you did not need to use the £2 million contingency built into the 2018/19 budget. Whilst the level of underspend is a good outcome for you in achieving a balanced budget in-year, the key inputs into this net position do not represent sustainable savings in the medium-term and cannot be relied upon to maintain ongoing financial balance. The Housing revenue Account achieved the forecast break-even position for the year. You delivered 88% of your revised capital budget of £129 million, re-profiling the balance into future years. Children, Employment and Skills had the greatest level of capital slippage with 39% (£7.4m) schemes re-profiled into future years. However, you are confident that the schools capital programme remains on time and on budget. You ended the financial year with £115 million and £19 million of short-term investments and debt respectively. Total long term debt increased by £19 million to £277 million with gross borrowing of £293 million as at 31 March 2019. <u>2019/20 budget</u> A balanced budget has been set for 2019/20 and the detailed planning in respect of 2020/21 and 2021/22 is already underway. This is part of the wider process of your on-going review of your Medium Term Financial Strategy. In respect of 2019/20, the maximum increase in Band D Council Tax of 2.99% was approved by the Council in February 2019. Central government funding continues to fall and the impact is felt across your services. You have been successful in managing your costs, achieving savings circa £225 million since 2010. The direction of travel for central government funding shows no signs of abating and you have taken steps to carry out an extensive organisation-wide exercise to re-examine the way you provide your services and ensure you are prioritising spend on the right things. The exercise has enabled revenue savings proposals to be proposed for the next three years, to enable more strategic planning and support a transformation of the way you work.

Significant risk	Findings and Conclusion
❶ **Medium Term Financial Planning** *- continued*	Medium-term forecasting and planning The organisation-wide exercise will be instrumental in ensuring that the future challenges, including a circa £50 million savings gap requirement in the three years to 2019-22, are achievable. These need to be delivered in the context of demand pressures which could be faced, in conjunction with retaining an adequate level of useable reserves in line with your reserves policy. As part of your commitment to managing your funding gap, a new, earmarked budget reserve of £15.1 million has been created to provide up-front investment for the delivery of transformational revenue savings over the medium term. Key assumptions underpinning your medium-term forecast are: • 5% of the net General Fund budget requirement (excluding school's expenditure) over the course of the medium-term financial strategy. • Fees and charges to increase in line with RPI • Funding reductions as set out in the latest (2019-20) local government finance settlement. Government is currently consulting on a new national funding formula that will determine the baseline level of need and therefore the level of business rates retained. • An increase in business rates (NNDR) income each financial year (to keep the Council above the Government's funding distribution system threshold and also cover the annual increase in the cost of the tariff). The Council is part of year 2 of the London pooling pilot. Government is currently consulting on changes to the Business Rates scheme from 2020 which will roll out 75% Business Rates Retention across the country. • An assumption that any reductions in service specific grants can and will be contained within service budgets. • An increase in Council tax in line with inflation and the assumed referendum limit of 2.99% These assumptions will be revisited in the refresh of the MTFS from 2020/21-2021/22 which will take place in July, to determine whether they remain the most appropriate for your current circumstances based on the information available to you. You have also clearly identified a number of risks impacting the reliability of the forecast and achievability of your plans, including uncertainties relating to the government's national funding formula review. These risks have been openly communicated within the leadership team, committee structures and full Council settings, and the implications are being carefully worked through, including requirement for service redesign to make meeting the potential challenges faced manageable. Reserves position As set out in the 2018/19 outturn and 2019/20 detailed budget, some use of reserves to fill funding gaps has been approved in each year, and further reserves use has been approved in the medium term. Whilst the 2019/20 budget has been mapped out with as much certainty as possible, you are conscious that there are some demand pressures and other spend and income issues which cannot be specifically foreseen, and as such – as in previous years – you continue to hold a central contingency budget of £5 million to address any issues arising in-year. This also protects your general fund position, which you aim to maintain at £10.7 million. It is not proposed to reduce or remove the contingency provision and any unused amounts will be allocated to specific budgets to deal with future fluctuations.

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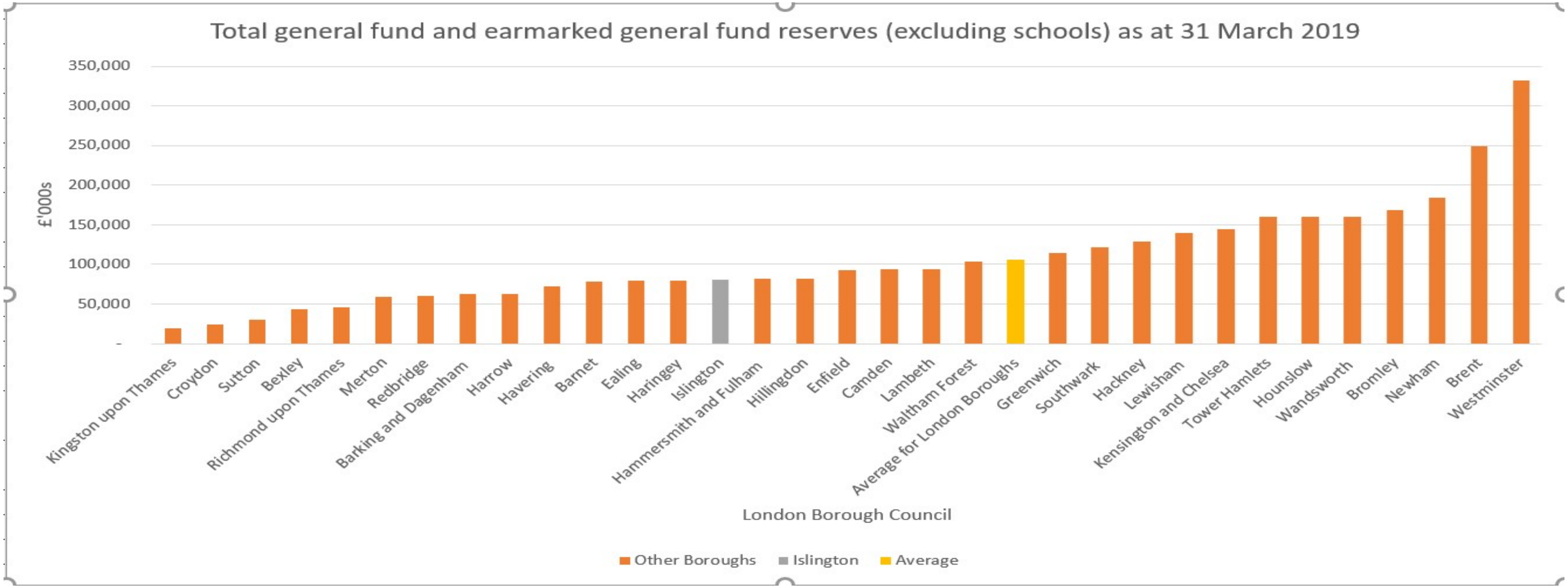
Significant risk	Findings and Conclusion
Medium Term Financial Planning *- continued*	The practical realities of this funding are at present uncertain, not least due to the current Conservative leadership contest and potential for the appointment of a new secretary of state. Despite the pressures on your reserves which have arisen over recent years, your available reserves are just below the average in comparison with other London Borough Councils, in particular those of a comparable size, as illustrated by the graph below:



The analysis above supports the S151 Officer's recommendation to increase the General Fund balance by £2 million to £10.7 million, bringing the 2019/20 level of the Council's general balances to 5% of the net budget requirement.

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Significant risk	Findings and Conclusion
❶ **Medium Term Financial Planning** *- continued*	The following table sets out a summary of your reserves position and key financial ratios as at 31 March 2019 relative to other London Boroughs as per their draft published financial statements for 2018/19:

Measure	Islington	Average for London Boroughs	Ranking relative to other London Boroughs (/32)
Total general fund and non-schools earmarked general fund reserves as at 31 March 2019 (£'000s)	80,452	106,462	18
Total general fund and earmarked general fund reserves as at 31 March 2019 (£'000s)	92,293	118,126	18
General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)	36%	42%	15
			2017/18
Measure	**Islington**	**Average for London Boroughs**	**Ranking relative to other London Boroughs (/32)**
Total general fund and non-schools earmarked general fund reserves as at 31 March 2018 (£'000s)	74,144	97,064	21
Total general fund and earmarked general fund reserves as at 31 March 2018 (£'000s)	83,463	108,873	21
General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)	33%	48%	16

This analysis supports the view that you are continuing to build on your overall resilience levels compared to 2017/18,but still below the average in comparison to other London Boroughs.

Conclusion

Whilst in the medium-term the financial outlook is more challenging than it has been in previous years and has potential for volatility in relation to macro-economic and national political factors beyond your direct control, we are satisfied that arrangements are in place to support your medium term financial sustainability. We are therefore satisfied that this risk has been sufficiently mitigated.

	Significant risk	Findings and Conclusion
2	**Change and transformation programmes and governance** *As per our Audit Plan* *You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance. You have brought in senior resource to provide experience and leadership in programme development and delivery, business case development and benefits realisation.*	You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. The organisation-wide exercise will be instrumental in ensuring that the future challenges, including circa £50 million savings gap requirement in the three years to 2019-22, are achievable. As part of your budget proposals to Council in February 2019, management presented a 3 year savings plan to 2021/22 totalling £33.8 million. In all, 38 schemes or projects across all directorates had been identified over the three years. Your transformation change programme covers at least two distinct phases: (1) Leadership, ambition setting and idea generation – this entails a review of spend against your Council Plan outcomes to identify the elements of high spend which arise from a policy decision and those which arise from inefficiencies. Idea generation will develop a range of options for redesigning services and take forward to localities . You are conscious that whilst identifying savings is a key factor, the primary aim of the process is setting out the services which will be delivered and how this will be done to achieve the Council Plan outcomes. This phase of the scheme is overseen by the Programme Delivery Board (PDB). The Chair of the PDB the Interim Corporate Director, a member of the senior executive team. The PDB has representations from each directorate as well as representatives from finance, governance and S151 Officer and meets at least once a month. (2) Business case development – which will take forward ideas to design and develop into an outline and final business case (including costing and modelling) which can be presented as draft savings proposals to the PDB. This phase will require close consultation with officers across the organisation to ensure the realism and challenge of each option, development of implementation plans and profiling of investment and savings. The Design and Compliance Authority (D&C) is chaired by the Service Director with representatives from resources, HR, legal, property, strategy and change, digital, governance and risk. D&C also meets at least once month. Your in-house programme management office (PMO) is led by the Head of Strategy and Change. The PMO is available to assist with each phase and actions from each stage, reporting and monitoring progress against project to PMB. Of your £33.8 million savings identified over the three years to 20121/22, £13.8 million has been identified for delivery in 2019/20 spanning across 34 projects. One such project is efficiencies in revenues and benefits with planned savings of £1.4 million. You have in place business case setting with plans to achieve the target. Your plans included recurrent income generating opportunities such as agreeing a fee contribution towards salary costs for manager support provided to a partner organisations and streamlining your processes and taking out vacant posts without compromising service delivery. Other aspects of the plans include improving your Council Tax collection rates and recovery rates of old Council Tax and Business Rates debt. You already acknowledge both services are performing at a good level and it is less clear from your plans whether further efficiencies can be gained within these schemes. Overall you have rated this scheme with a high confidence level that it will deliver as planned.

	Significant risk	Findings and Conclusion
2	**Change and transformation programmes and governance** *- continued*	Your transformation plan is viewed as a three year plan to transform services and not so much as one-off projects. One of the areas key to your plans is some of your demand-led services such as Adults and Children social care services. You recognise changes will be required if you are to continue to meet local need within available resources. With an aging demographic, Adult Social care is one of those areas you are reviewing your services. You have in place an Adult Social Care Plan 2019-2022 which sets out how the service will achieve the changes required with reducing resources and the ongoing need to deliver services in line with the Care Act and other legislation. From a finance perspective, you are conscious of the interdependencies related to your future planning and forecasting, for instance how current demand and activity within Adult's Services may impact upon Adults Social Care and Housing needs in the medium-term. Understanding this future demand as thoroughly as is possible will be key to ensuring that the wider service redesign programme is focused in such a way to meet the intended objectives. You recognise the need to make significant ongoing savings in order to contribute to the overall requirements to deliver a balanced budget each year. However, you see the delivery of savings as one of the outcomes of successfully achieving your transformation and improvement goals, rather than the driving force of your work. Your aim is to manage savings pressures through reducing the need for costly service interventions, delivering and commissioning more effective and efficient services. Your plans, including the planned savings for Adults Localities of £3.5 million, are still evolving. Your outline business case has phased the planned savings of £1 million in 2020/21 and £2.5 million in 2021/22 and can be described as aspirational. The business case has a lead officer and Executive sponsor and includes detailed estimate of the required resources to deliver the savings. You have a timetable in place for the outline business case to be presented back to PDB in the autumn. Our review of the initial plans in place indicate that the progress to date has been made on a firm foundation. However, given that the project is in an early stage, a high degree of its success will be contingent on whether the plans in place can be realised with the required level of oversight and review within the projected timeframes. You are taking an incremental approach in terms of ensuring that practices become embedded and part of the norm, providing the cultural environment the space to transition alongside. Once the change programme is delivered and the business cases have been approved by PDB, it will be crucial that a comprehensive delivery plan is devised, with resources and responsibilities appropriately allocated, to ensure that changes are implemented as intended and progress and benefits are effectively monitored and evaluated. Your monitoring and reporting arrangements allows you to be responsive to issues and escalate as necessary. We note regular reporting and monitoring of savings plan performance to the PDB. From our review of a small number of reports, it was not always clear from the regular reports what proportion of 2020/21 and 2021/22 schemes have a final business case with risk rating and the proportion that are still at outline business case which could be described as allocated savings. This will improve the accuracy and transparency of the schemes that had been identified and level of gap that exists. **Conclusion** It is evident that you have carefully considered how to reinvigorate your organisation to modernise and become forward looking. The timeframes are ambitious and unlikely to be realised completely within a short period of time. Early thinking is promising, but many of the detailed arrangements are yet to be established, and these are essential for supporting an organisation-wide transformation programme. A strong vision for the future is essential, to enable a target operating model to be developed within a narrative that engages 'hearts and minds' and provides a direction of travel for future transformation programmes to drive efficiencies, new ways of working and cultural change. We will continue to review progress as you develop your arrangements.

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were chargeable from the beginning of the financial year to 29 July 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats

	Fees £	Threats identified	Safeguards
Audit related			
Housing Benefit subsidy claim certification	28,226	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of £156,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Capital Receipts Grant	2,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work low in comparison to the total fee for the audit of £156,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers' Pension return certification	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is low in comparison to the total fee for the audit of £156,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Place analytics – CFO Insights subscription	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this subscription is low in comparison to the total fee for the audit of £156,179 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with your policy on the allotment of non-audit work to your auditors. All services have been / will be approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified [X] of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● Medium	We undertook a review of your IT general controls and made 2 high and 4 medium priority recommendations around the following areas: • The number of Domain Admins and Enterprise Admins for Active Directory is not appropriately limited and reviewed • Proactive review of Logical Access • Lack of Information Security Policies and Procedures review and approval • IT security training for employees • Password complexity enforcement • Independent audit report on vendor's security systems.	Management have responded and agreed to the recommendations. **Management response** Agreed
2	● Medium	**Payroll** We note from our sampling one instance from school payroll where the allowances had been paid twice in a particular month. Your exception report review focuses on month on month variance in excess of 40% and this error was below this threshold and was not identified.	We recommend you review the adequacy of the set exception threshold level of 40% for reasonableness. You should enhance your exception reporting by reviewing a sample of exceptions below the 40% threshold **Management response** Agreed. The Council will look to enhance its exception reporting and sampling.
3	● Medium	**Journals** Our testing of journals identified 4 manual journals posted by system administrators with super user rights. To ensure separation of duties, we would typically expect such journals to be posted by the finance team.	We recommend a review of systems access to your financial systems and ensure super user access is restricted to appropriate persons **Management response** Agreed. A review of the access rights to the system will be undertaken.

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Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	CIES £'000	Balance Sheet £' 000	Impact on net Cost of Services £'000
1	**Impact of the McCloud pensions ruling** Management requested estimates from their actuary of the potential impact of the McCloud ruling. The actuary's estimate for the was of a possible increase in past service cost and overall pension liabilities of £102m. Management have chosen to update their financial statements and related notes to reflect the revised estimate of the total liabilities. We are currently reviewing the draft amendments	22,828 CoS 80,168 loss	(102,996)	22,828
2	**Pooled Budget** You account for your share of the income and expenditure on pooled budgets within the net cost of services line. You incorrectly excluded in excess CCG income and expenditure. This resulted in gross income and gross expenditure being understated by £2.88m, which has a nil impact on the bottom line	2,880 (2,880)	nil	nil
	Overall impact	£102,996	£(102,996)	£22,828

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Adjustment agreed?
Events after the Balance Sheet date Note 35	• The Chief Executive and section 151 Officer resigned between April and June 2019 post year end. Recommended the note disclose this significant facts	✓
Defined Benefit Pension Schemes Note 36	• Disclose your assumptions and impact of the McCloud and Guaranteed Minimum Pensions rulings	✓
General	• A number of minor disclosure amendments have been made to the disclosure notes and statements including the Narrative Report. None were material for inclusion in this report	✓

Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

	Detail	Reason for not adjusting
1	An uncorrected prior period error within the Opening Balance Sheet. It relates to the pension prepaid lump sum made in 2017/18 relating to 2018/19 and 2019/20 of £18m which was disclosed within last years accounts as debtors, rather than being netted off against the pension liability. You have correctly accounted for the prepayments via the IAS19 and reverse the debtor entry within 2018/19 but not restated the corresponding opening Balance Sheet. You have opted not to amend the opening Balance Sheet as the net impact isn't material to the statements.	The impact on the Balance Sheet isn't material

Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit Fees

	Proposed fee	Final fee
Council Audit	£156,179	TBC
Total audit fees (excluding VAT)	**£156,179**	**TBC**

The fees reconcile to the financial statements Note 11. During the year additional work was undertaken in respect of the restatement of the accounts for the McCloud judgement, which impacted your pension liabilities and related notes. We will confirm the final fee upon completion of the audit.

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Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Housing Benefit subsidy claim certification	28,226
• Teachers' Pension return certification	5,000
• Pooling Housing Capital Receipts grant claim certification	2,000
Non-audit services	
• Place Analytics – CFO Insights subscription	10,000

Audit opinion

We anticipate we will provide the Council with an unmodified audit report. This is a draft version that will be updated.

Independent auditor's report to the members of Islington Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Islington Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The Director Financial Management is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2018/19 and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, [the Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2018/19 and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director Financial Management and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 19, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director Financial Management. The Director Financial Management is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director Financial Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Financial Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee and Audit Committee Advisory is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

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

Responsibilities of the Authority

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

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

AND

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Audit opinion

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Paul Grady
for and on behalf of Grant Thornton UK LLP, Local Auditor

London
Date

Grant Thornton

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The Audit Findings for London Borough of Islington Pension Fund

Year ended 31 March 2019

July 2019 `

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Appendices

A. Audit adjustments

B. Fees

C. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of the London Borough of Islington Pension ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our audit commenced on site in June 2019. Our findings to date are summarised on the following pages. We have identified, to date, that Level 3 Private Equity and Infrastructure investments had been misclassified as Level 2 investments for both current and prior year. Management have agreed to amend the financial statements. Audit adjustments are detailed in Appendix A. Our work is substantially complete and there are no matters of which we are aware of, from our work to date as at the time of writing, that would require modification of our audit opinion (Appendix C) or material changes to the financial statements. Our proposed opinion is subject to the satisfactory completion of the following outstanding matters; - receipt and review of an updated actuarial valuation report, which will the take the McCloud judgement into consideration for re-assessing the value of the Fund's promised retirement benefits for the purposes of IAS 26; - receipt and review of one ISAE 3402 controls assurance report from one of the Fund's Investment Managers; and - review of financial instrument disclosures. Our work is subject to the following closing procedures which necessarily take place at the end of the audit: • final senior management and quality reviews and clearance of any queries that may arise from this final process; • receipt and review of your management representation letter; • receipt and review of the final set of amended approved financial statements; and • receipt and review of the final Pension Fund Annual Report (the deadline for this is 1 December 2019) Our anticipated audit report, subject to the satisfactory completion of the above, will be unqualified.

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team, management and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit and Performance Committee.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you at the Audit Committee and Audit Committee Advisory on 11 March 2019.

Conclusion

We nearing the completion of our audit of your financial statements and, subject to the satisfactory completion of outstanding matters and queries, we anticipate issuing an unqualified audit opinion, as detailed in Appendix C. We are unable to issue the audit opinion until we have completed our work on the Council's financial statements, the audit of which is in progress.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for the London Borough of Islington Pension Fund.

	Pension Fund Amount (£)
Materiality for the financial statements	13,000,000
Performance materiality	9,100,000
Trivial matters	650,000

Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
Management have reviewed the Fund's funding position and cash flows.	• The Pension Fund has sufficient assets to meet its liabilities as they fall due over the next 12 months. Local Government Pension schemes are effectively underwritten by the tax payer with deficits financed by increased contributions agreed with the actuary that are financed through Council, Admitted and Scheduled bodies contributions. • There is no plan by the Ministry of Housing, Communities and Local Government to wind up the London Borough of Islington Pension scheme. • The Pension Fund continues to operate as usual in 2018/19. Contributions and investment income continue to be received as expected.
Work performed	**Auditor commentary**
Detail audit work performed on management's assessment	• We have reviewed managements assessment that the financial statements are prepared on a going concern basis. • We are satisfied that there are sufficient assets to meet liabilities as they fall due. The last triennial actuarial valuation also demonstrated an improvement in the funding level to 78%. • The Council pre-paid three year £26.8m deficit contributions into the pension fund in 2017/18, in line with actuarial advice, to cover the deficit to 2019/20. £8.9m of the pre-payment related to 2018/19. • The fund continues to operate as usual.
Concluding comments	**Auditor commentary**
	• We are satisfied that the Pension Fund Financial Statements are prepared on a Going Concern basis.

Significant findings

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the Pension Fund's revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Council as the administering authority, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Fund face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for the Fund.	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Subject to the satisfactory completion of outstanding matters set out on page 3, we have not identified any material issues from our work at this stage that we need to report to you.

Significant findings

Risks identified in our Audit Plan	Commentary
3 **Valuation of 'hard to value' Investments (Level 3 investments)**	**Auditor commentary**

Risks identified in our Audit Plan

The Fund re-values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.

By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£66 million) and the sensitivity of this estimate to changes in key assumptions

Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.

Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2019.

We therefore identified valuation of Level 3 investments as a significant risk.

Commentary

We have undertaken the following work in relation to this risk:

- evaluated management's processes for valuing hard to value investments, gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the Code are met
- tested the valuation by obtaining and reviewing the audited accounts of the Private Equity and Infrastructure Funds at the 31 December 2018, and reconciled those valuations to the values at 31 March 2019 with reference to known movements in the intervening period
- reviewed the custodian and fund manager independent valuations of the Private Equity and Infrastructure Funds
- reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investment

We have identified that Level 3 Private Equity and Infrastructure investments had been misclassified as Level 2 investments for both current and prior year. Management have agreed to amended the financial statements.

Subject to the satisfactory completion of outstanding matters set out on page 3, we have not identified any other material issues from our work at this stage that we need to report to you.

Significant findings – Other Issue

	Issue	Commentary	Auditor View
1	**McCloud Judgement** The Court of Appeal has ruled that there was age discrimination in the judges and firefighter's pension schemes, where transitional protections were given to scheme members The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes who have implemented transitional arrangements on changing benefits. This ruling was made after the statement of accounts had been produced by the pensions team and submitted to us for audit.	Discussions are ongoing in the sector regarding the potential impact of the ruling and the application for appeal on the financial statements of Local government Schemes. The Pension Fund has requested an estimate from its actuary of the potential impact of the McCloud ruling on the disclosure of the IAS 26 Actuarial present value of promised retirement benefits in Note 15.	We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable. Although we are of the view that there is sufficient evidence to indicate that any liability related to the McCloud judgement is probable, we will have to satisfy ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an anticipated disclosure change within Appendix A. Subject to the satisfactory completion of outstanding matters set out on page 3, we have not identified any material issues from our work at this stage that we need to report to you. Our final conclusions are subject to the receipt and review of updated actuarial reports which take the implications of the McCloud judgement into account.
	Guaranteed Minimum Pensions A separate ruling was also made surrounding Guaranteed Minimum Pensions (GMPs). For benefits earned from 17 May 1990, schemes have had to provide equal benefits and equal retirement ages for men and women, and the Government has indicated it believes members' pensions should be equalised for the effects of GMP accrued from that date. The 26 October 2018 Lloyds Bank court judgement has provided clarity going forwards regarding how this might be achieved, which may have an impact on pension liability calculations.	The Fund requested an estimate for the impact on the IAS26 disclosure with respect to Guaranteed Minimum Pension indexation. In their response, the actuary concluded that it is not appropriate for any additional provision to be included, and have not made any allowance in their calculations for any additional liabilities. The Fund has accepted this view and have not adjusted the IAS 26 disclosure in respect to this.	We have considered your actuary's assertion that the impact of GMP equalisation on your Pension Fund is not significant, and have compared this to the guidance issued by our auditor's expert, PwC. We have concluded that it does not present a material issue on your Fund.

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Significant findings - accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Additional contributions are accounted for when received. • Employer deficit funding contributions are accounted for on the dates on which they are due under the schedule of contributions set by the actuary, or on receipt if earlier than the due date. The Fund has accounted for the pre-paid deficit lump sum correctly over the three years, including for 2018/19 in line with the schedule set by the actuary. • Employer's augmentation and pension strain contributions are accounted for in the period in which the liability arises. • Individual transfers into the fund are accounted for on the basis of date received. • Investment income arising from the underlying investment is accounted for on an accruals basis.	The revenue recognition policy is consistent with the Code of Practice of Local Authority Accounting. Management have followed the policy in accounting for the funds revenue streams.	Green
Judgements and estimates	Key estimates and judgements include : • Valuation of level 3 investments • The assumptions within the IAS 26 calculation of the present value of future retirement benefits • The assumptions within the triennial valuation	The policies adopted for material accounting estimates appear to be appropriate under the Code of Practice of Local Authority Accounting. Our testing indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts. The IAS 26 disclosure is to be updated for the updated actuarial report, re-assessed in light of the McCloud judgement.	Green
Other critical policies	• The Pension Fund has adopted the standard accounting policies as set out in the Code.	We have reviewed the Pension Fund's policies against the requirements of the CIPFA Code of Practice. The Pension Fund's accounting policies are appropriate and consistent with previous years.	Green

Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

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Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	We have previously discussed the risk of fraud with the Audit and Performance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	A letter of representation has been requested from the Pension Fund, which will be included in the July 29 Audit Committee and Audit Committee Advisory.
5	**Confirmation requests from third parties**	We requested from management permission to send confirmation requests to your custodian, fund managers and banks. This permission was granted and the requests were sent. All confirmations have been received.
6	**Disclosures**	Our review found no material omissions in the financial statements.
7	**Audit evidence and explanations/significant difficulties**	All information and explanations requested from management was provided.
8	**Matters on which we report by exception**	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We are awaiting the draft Pension Fund Annual report to review. The Annual Report has a later deadline of 1 December 2019.

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Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. No audit and non audit related services were identified.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no adjusted misstatements.

Impact of unadjusted misstatements

There are no unadjusted misstatements identified as a result of our audit work to date.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjustment agreed?
Disclosure	We have identified that Level 3 Private Equity and Infrastructure investments had been misclassified as Level 2 investments for both current and prior year. Management have decided to amended the financial statements. £66.6m of Private Equity and Infrastructure Investments have been re-classified to Level 2 within 2018/19.	Management have agreed to make the required amendment	✓
Disclosure	The Fund have updated the disclosure for the value of the Fund's promised retirement benefits for the purposes of IAS 26, in light of the McCloud judgement.	Management have agreed to make the required amendment	✓
Disclosure	The required disclosure for emoluments of key management personnel for the Pension Fund was omitted from the draft financial statements.	Management have agreed to make the required amendment	✓
Disclosure	No disclosure was given as to the Fund's assessment of credit risk, interest rate risk or liquidity risk	Management have agreed to make the required amendment	✓
Disclosure	The disclosure of Employer's contributions in Note 2 did not separately disclose any deficit recovery contributions (£10.1m in 2018/19)	Management have agreed to show the split of deficit funding and normal contributions on the face of the Fund Account.	✓
Disclosure	A number of other minor changes have been made to disclosure notes and accounting policies throughout the financial statements to improve accuracy, clarity and understandability.	We discussed a number of suggested disclosure amendments with the Pensions Team. Management have agreed to make the required amendments.	✓

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	16,170	16,170
Total audit fees (excluding VAT)	**£16,170**	**£16,170**

The fee of £16,170 agrees to the disclosed in the pension fund financial statements

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There are no fees for non-audit or audited related services have been undertaken for the Pension Fund.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report. This is a draft version that will be updated.

Independent auditor's report to the Members of the London Borough of Islington on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of the London Borough of Islington (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement for the year ended 31 March 2019 and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Annual, the Narrative Report and the Annual Governance Statement, other than the pension fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Audit opinion

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Annual Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 officer is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, which give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Section 151 Officer is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Committee and Audit Committee Advisory is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

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

Audit opinion

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

xxxxxxxxxxxx
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

Date xxxxxx

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Tel: 020 7527 2282

W: www.islington.gov.uk

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

Date: 29 July 2019

Dear Sirs

Islington Council and Islington Council Pension Fund
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Islington Council and Islington Council Pension Fund for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

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iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent

    b. none of the assets of the Council has been assigned, pledged or mortgaged

    c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

    We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for the misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

    The financial statements are free of material misstatements, including omissions.

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xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

xv. We have communicated to you all deficiencies in internal control of which management is aware.

xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee and Audit Committee (Advisory) at its meeting on 29 July 2019.

Yours faithfully

Cllr Nick Wayne	Mohammed Sajid
Chair of the Audit Committee	Deputy Section 151 Officer

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POSITIVE ABOU

Islington Council
Statement of Accounts 2018/19

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Introduction by the Chief Financial Officer

I have great pleasure in presenting the Statement of Accounts for the year ended 31 March 2019. These accounts give a high-level overview of the council's finances.

Basis of these accounts

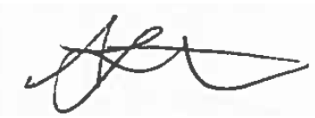
In compiling these accounts the council is required to follow a common format called the Code of Practice on Local Authority Accounting, otherwise known as the ‘Code’. This enables readers across all local authorities to follow local differences in spending on a comparable basis. The ‘Code’ is based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

Overview of the council's finances

The council’s expenditure (revenue and capital) last year was nearly £1.2bn. 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 ‘Cost of Services’, you will see that the gross cost of these services was £985m, and in the Note on Capital Expenditure and Financing, you will see that we spent £113m 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 2018/19 this contribution amounted to £89m. We financed our investments through external contributions of £21m, contributions from the HRA of £45m, whilst £3m came from revenue sources, £22m from the sale of council assets and we borrowed £22m

This year’s Public Inspection of the Accounts period runs from 3rd June to 12th July, inclusive. Further details are available from our website.



Alan Layton
Director Financial Management
29 May 2019

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

The Audit Report 2018/19 will appear here once the audit is completed at the end of July 2019

The Audit Report 2018/19 will appear here once the audit is completed at the end of July 2019

The Audit Report 2018/19 will appear here once the audit is completed at the end of July 2019

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2018/19

The Narrative Report provides an explanation in overall terms of the council's financial position and helps interpret the accounting statements. The aim of the Narrative Report is to explain the financial facts rather than comment on the council's policies. The Statement of Accounts has been prepared on the basis that the council is a going concern. This reflects the legal requirement to set a balanced budget, the ability of the Director of Finance to issue a Section 114 notice preventing non-essential expenditure if there is a risk of running out of cash, and the ability of the government to intervene and set an alternative budget if elected members decide to set an unbalanced budget.

Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

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

The financial 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 Council, 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 31 March 2019, in particular what it owns versus what it owes
- 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 council's single entity accounts. 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 31 March 2019.

The Expenditure and Funding Analysis (Note 12) gives a clear link between in-year reporting of financial performance and the final outturn set out in the core financial statements.

In common with most other local authorities the Pension Fund has a deficit. The council asks an independent actuary to review the fund's position triennially and advise how to set the contributions to the Pension Fund to address the deficit. Such a review took place on in 2016/17. More detailed information can be found in the Pension Fund Accounts pages.

Budget 2018/19

On 22nd February 2018, the council agreed its 2018/19 budget, setting a budget requirement of £213.0m. This resulted in a basic amount of band D council tax of £1,135.22 (representing a council tax increase of 2.99% plus a 3% additional precept for social care) and a total amount of band D council tax (including GLA precept) of £1,429.45.

General Fund Outturn 2018/19

Within the General Fund there was an in-year underspend, excluding schools, of £5.5m, however this was then transferred to an in year Insurance provision and a reserve for future years. This resulted in a net underspend transferred to General Balances of £0.1m. Alongside this was a £2m transfer from earmarked reserves to the General Fund balance, providing a net increase of £2.1m to General Fund balances.

Schools were underspent by £2.52m and this was added to School Balances.

Departmental income and expenditure (excluding HRA)	Gross Expenditure £'000	Gross Income £'000	Net Budget £'000	Net Outturn £'000	Over / (Under) £'000
Frontline Services					
Children's Services (excluding schools)	174,613	(105,792)	70,164	68,821	(1,343)
Schools	285,803	(274,157)	14,168	11,646	(2,522)
Environment and Regeneration	120,069	(92,616)	26,819	27,453	634
Housing & Adult Social Services	165,565	(81,682)	83,971	83,883	(88)
Public Health	28,582	(28,915)	(333)	(333)	0
Central Services					
Chief Executive	3,250	(1,662)	1,982	1,588	(394)
Finance & Resources	252,616	(213,694)	39,410	38,922	(488)
Corporate Items					
Corporate Items	23,303	(257,962)	(236,181)	(234,659)	1,522
General Fund Variance	**1,053,801**	**(1,056,480)**	**0**	**(2,679)**	**(2,679)**
Approved outturn draw down from earmarked contingency reserve	(2,000)			(2,000)	(2,000)
Net General Fund Variance	**1,051,801**	**(1,056,480)**	**0**	**(4,679)**	**(4,679)**
Unbudgeted transfer to General Fund Balances (excluding schools)					(2,157)
Unbudgeted transfer from Schools Balances					(2,522)
Total					**(4,679)**

Departmental income and expenditure (including HRA)	Over / (Under) £'000
General Fund over/(under) spend for the year (including schools)	(4,679)
Housing Revenue Account over/(under) spend for the year	(0)
Net expenditure	**(4,679)**

Explanation of 2018/19 Variances

The General Fund underspend of £5.5m was due to underspends of £4.1m in corporate items (including £2m of unused contingency), £1.3m in Children's Employment and Skills (excluding schools), £0.4m in Chief Executive's department, and £0.5m in Resources, offset by an overspend of £0.6m in Environment and Regeneration. There was a break even position in Housing, Adults and Public Health. The £5.5m gross underspend has been partly been used for a required Insurance Fund injection of £2.8m in 2018-19 and partly for the creation of an insurance reserve of £2.7m for 2019-20. The main variances were due to:

- Environment and Regeneration – there were significant overspends in staffing costs (due to sickness and absence cover and additional staffing required for service delivery) and other overspends due to fleet replacement delays, income shortfalls (commercial waste, parking and planning) and increased fuel costs. These were partially offset by additional income from the HRA, highways and Greenspace and leisure plus underspends in Public protection including private sector housing grants.
- Chief Executive's department – there were underspends in staffing costs including vacant posts.
- Resources – there were underspends due to business rates carry forwards, rationalisation of buildings and maintenance work, higher than expected Assembly Hall income and one off grants, savings from management action to control costs plus bad debt provision and income recovery savings. These were partly offset by expected increases in commercial income not being realised and higher than expected costs arising from the renewal of the Microsoft Enterprise agreement in Digital Services
- Housing General Fund – there was a small overspend on temporary accommodation costs, fully offset by underspends elsewhere in the department.
- Adults – there were overspends due to non delivery of savings in the integrated community services and learning disabilities divisions, which were fully offset by one off income to stabilise the social care system from the Improved Better Care Fund.
- Children Employment and Skills – there were significant underspends in youth and community services, children looked after placements, early years and free school meals. These were partly offset by overspends in special needs transport and some areas of the children looked after service (inter agency adoption and joint procurement).
- Public Health – there were underspends in sexual health, NHS health checks, smoking and tobacco and substance misuse services, offset by transfer to the public health reserve to fund future one off costs.
- Corporate items - there were underspends related to corporate levies costs, pay inflation provisions, lower than expected treasury management costs and higher than expected interest receipts and investment income. The 2018-19 contingency provision was also not fully utilised. These were partly offset by overspends due to unbudgeted costs of No Recourse to Public Funds, and transfers to capital reserves (bike hangars unbudgeted costs) and transformation reserves (invest to save funding).

The 2018/19 budget took account of unavoidable cost increases including demographic pressures, mainly in social care, and structural pressures in service budgets. The budget included savings of £32m to cover unavoidable cost increases and reductions in central government funding. Service departments will continue to face significant cost pressures and risks in the coming year. This is discussed further in the Looking Forward section of this report.

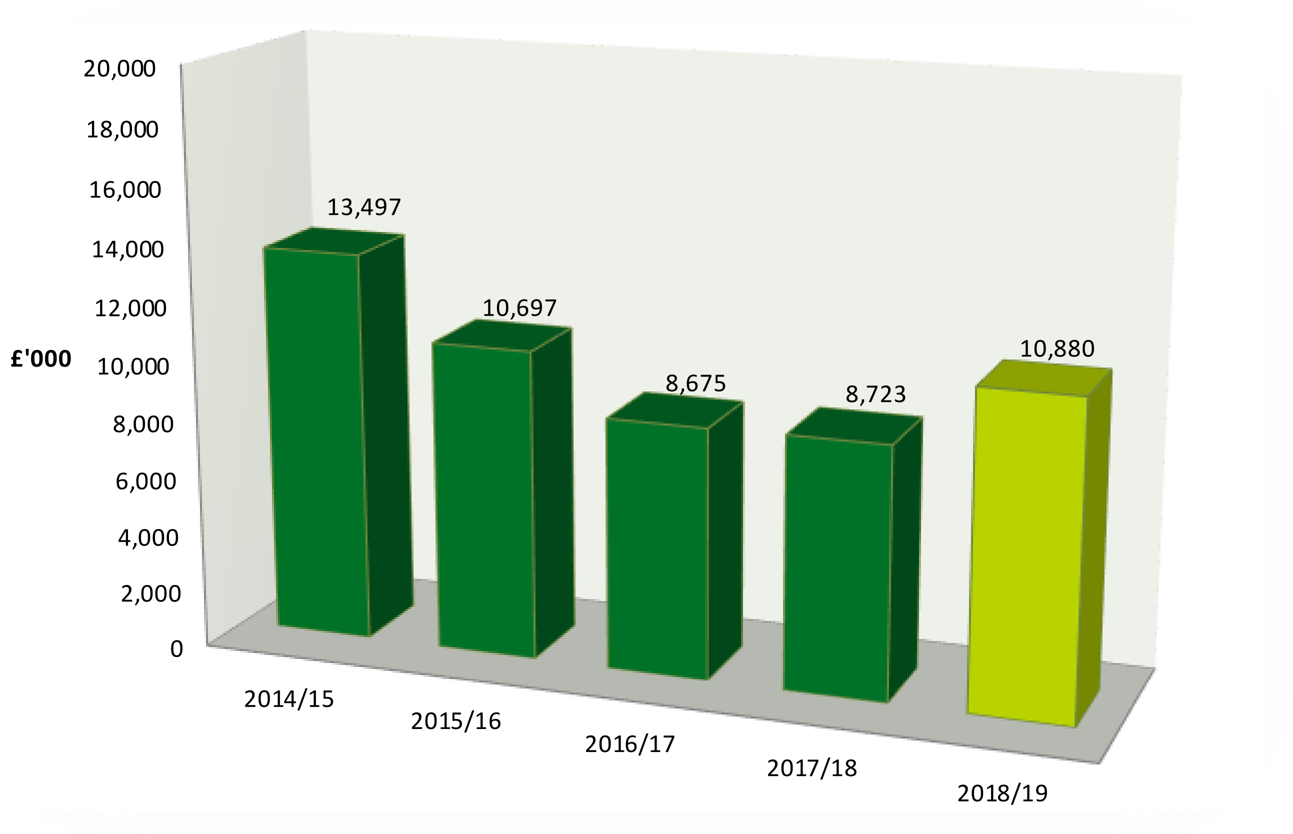
The 2018/19 Provisional Outturn report on the council's website gives a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To maintain its financial resilience, the Council currently aims to maintain the General Fund balance (excluding schools) at a level where it is the equivalent of 5% of the council's net budget requirement over the medium term. On 31 March 2019 the General Fund balance (excluding schools) totalled £10.9m (£8.7m on 31 March 2018), which is 5% of the net budget requirement. The schools balance totalled £11.8m (£9.3m on 31 March 2018).

The Council has limited powers to supplement its budget from reserves. It is required to maintain a reasonable level of General Fund balances, whilst schools and HRA balances are ring fenced. However, it can use earmarked reserves to supplement the budget if they are no longer required (though this is only sustainable in the short term and on a one off basis)

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



Housing Revenue Account 2018/19

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The 2018/19 outturn was a break even position. As at 31 March 2019 the HRA balance totalled £17.5m (£17.5m as at 31 March 2018), following a £15m transfer to HRA reserves.

The main variances between budget and outturn included overspends relating to tenants heating compensation, interest payable to MHCLG, increase in council tax and business rates on void properties and an increase in bad debt provisions (linked to rising rent arrears due to universal credit rollout). This is fully offset by underspends due to higher than expected income from rents and service charges, commercial property, heating charges, leaseholder income and garage rents plus higher than expected interest on balances and reduced PFI payments.

The Housing Revenue Account (HRA) section of the accounts discloses HRA income and expenditure, including the HRA share of income and expenditure in the overall statement of accounts plus movements in balances and accounting adjustments. The notes to the HRA include details of types of dwellings, value of dwellings, details of repairs reserve, capital expenditure including funding and details of capital receipts, depreciation, pension costs and rent arrears.

Capital Expenditure and Funding 2018/19

The council delivered £113.1m of capital expenditure in 2018/19, representing 87% of the initial annual programme. The table below sets out this expenditure by department.

Capital Programme 2018/19 Outturn	2018/19 Capital budget £m	2018/19 Capital expenditure £m	Re-profiling (to)/from future years £m
Housing and Adult Social Services	95.5	89.8	(5.7)
Children, Employment & Skills	18.6	11.2	(7.4)
Environment & Regeneration	14.8	11.6	(3.2)
Finance and Resources	0.5	0.5	0.0
Total Capital Programme	**129.4**	**113.1**	**(16.3)**

The funding of the 2018/19 capital programme is shown in the table below.

Funding Sources	2018/19 £m
Usable Capital Receipts	21.9
Borrowing	22.2
Government grants and other external contributions	21.2
Major Repairs Reserve	44.6
Capital expenditure charged in-year to revenue accounts	3.2
Total funding	**113.1**

Net Assets as at 31 March 2019

The council's balance sheet shows what the council owns and owes at the end of the financial year. This year it shows net assets of £2.75bn, (made up of £4.19bn of assets and £1.44bn of liabilities). The most significant asset held by the council is its Property, Plant and Equipment portfolio (worth £3.96bn), of which council dwellings make up £3.02bn. The largest liability facing the council is in relation to the Pension Scheme (£813m). Details of this scheme and the council's plans to overcome the liability are given later in the Narrative Report. The balance sheet also includes a long term liability of £111m relating to the council's PFI and similar schemes and is payable over the next 21 years. Further details can be found in Note 21. There were no individually material assets added this year or significant new liabilities incurred.

Current assets (amounts due within 12 months) include £65.7m of short term debtors (£76.3 2017/18). £26m was owed by central government and other public sector bodies mainly for grants and reimbursements. Other debtors include council tax, NNDR and parking debts. Short term debtors are included in the balance sheet net of a £72.5 provision for uncollectable debts. Whilst the council makes every effort to recover outstanding debts, it is prudent to set money aside to allow for the possibility that some debts will not be recovered.

The balance sheet also includes short term creditors of £119.5m (£142.3m 2017/18). A significant proportion of these relate to central government and other public sector bodies, at £51m. Short term PFI creditors amounted to £12.5m.

Borrowing and Investments 2018/19

As at 31 March 2019, the council had £115m of temporary investments and £16m of temporary debt. These investments were for periods ranging from overnight to two years at an average interest rate of 1% for temporary investments and 0.83% for temporary debt. The total long term debt is now £277.2m (£212.6m from the Public Works Loan Board, £53.5m from other local authorities and a £11.1m commercial loan) compared to £258.3m as at 31 March 2018. The average rate of interest on debt has decreased slightly from 4.38% in March 2018 to 4.14% in March 2019.

During the year the council complied with the treasury limits and Prudential Indicators set out in the council's Annual Treasury Management and Investment Strategy 2018/19.

31 March 2018 £'000	Treasury Management Cashflow	31 March 2019 £'000
16,663	Cash and Cash Equivalents	20,792
122,695	Short Term Investments	85,482
139,358	**Total**	**106,274**

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 and unusual charge or credit to the accounts

There were no material and unusual charges or credits to the accounts in 2018/19.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £32.4m as at 31 March 2019 (£20.2m as at 31 March 2018). The most significant provision is the Insurance Provision (£13.9m as at 31 March 2019). 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 specific limit 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 external professional advice on the value of insurance claims which will be paid from the self–funding arrangements

Material events after the reporting date

Material events after the reporting date are disclosed in Note 35.

Significance of the pensions liability

The estimated pensions liability facing the council is £813.4m at the end of the financial year (£802.9m as at 31 March 2018). This liability shows the underlying commitments that the council has in the long run to pay retirement benefits. The total net liability of £813.4m 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 Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary;
- Finance is only raised to cover teachers' pensions when the pensions are actually paid.

In 2019/20, the council is expected to make contributions of £26.4m to the Local Government Pension Scheme and the London Pension Fund Authority.

The council has issued around £0.9m of soft loans, mainly to employees. Further details can be found on page 72.

Looking forward

On 28th February 2019, the council agreed its budget for 2019/20 and set a budget requirement of £215.8m. This resulted in a basic amount of band D council tax of £1,169.136 (representing a council tax increase of 2.99%) and a total amount of band D council tax (including GLA precept) of £1,489.67.

Planned Revenue Expenditure	2019/20 £m
Departments	
Children's Services	82.7
Environment and Regeneration	15.4
Housing and Adult Social Services	78.4
Other Services	39.3
Net Cost of Services	**215.8**
Funded by	
Retained Business Rates	122.8
Council Tax	93.0
Funding from Taxation	**215.8**

The council has had to make £225m of savings between 2011 and 2019 to balance its budget and the 2019/20 budget included savings of £13.8m to help ensure medium term financial sustainability (£6.6m to cover cuts in government funding and £7.2m to cover unavoidable cost increases due to inflation and pay restructuring, demographic factors, and service cost pressures). Following the 2019/20 local government finance settlement and forecast funding allocations for future years to 2021/22, the council is expecting to have to make total savings of £50m in the three years to 2022. The medium term situation remains uncertain with the risk of further cuts after 2020. The gradual phasing out of revenue support grant means the council will have to rely more on retained business rates, council tax and other income alone.

To respond to these challenges, the Council is developing an Outcome Based budgeting approach, where budgeting is based on the relationship between funding and expected results, focusing on the outcomes of funded activities and the quality and effectiveness of services. This means that council spending needs to be linked to council priorities, if this is not the case for any area of spending such activities will need to be minimised or ceased.

The Council has a three-year medium term financial strategy (MTFS) covering general fund revenue spend and also the HRA and capital programme, ensuring effective planning for future years and picking up developments likely to affect the budget at an early stage.

The council is likely to be affected by the following changes in the next few years:

- Adult social care green paper including reforms to funding and closer integration with NHS
- NHS long term plan including increased emphasis on provision of local mental health crisis services and preventative healthcare including public health
- Continuing impact of rollout of universal credit including support to local residents experiencing hardship as a result of reduced income or delays in initial payments
- The impact of exiting the European Union including recruitment of staff in key areas such as social care, and impact on government grants, business rates income and treasury management due to national economic impacts especially if the UK leaves the EU without a deal.

On 28th February 2019 the council agreed a capital programme of £379m over the three years from 2019/20 to 2021/22 as shown below

Capital Programme 2019/20 to 2021/22	2019/20 £m	2020/21 £'000	2021/22 £'000	Total £'000
Housing & Adult Social Services	114.2	131.1	103.2	348.5
Children's Services	6.2	0.9	0.2	7.3
Environment and Regeneration	10.0	8.4	5.3	23.7
Total Capital Programme	**130.4**	**140.4**	**108.7**	**379.5**

Corporate information summary

The final section of the Narrative Report includes key facts and figures about Islington, information about the council's performance, the local environment, staff resources and key risks the council faces.

Islington facts and figures

- Small – 6 square miles (15 square kilometres) – the second smallest London borough
- **Growing population** – 241,600, an increase of 17% or 35,000 since 2011 with an increase of 3% or 7,000 expected over the next ten years
- **Most densely populated** authority in the country with 15,818 people per square kilometre, this is three times the London average and 37 times the national average. Lack of large green open spaces
- **Young –** 65% under 40 years old, only 9% over 65
- **Diverse population –** 32% BME with 48% White British or Irish and 20% Other White, 39% born outside the UK.
- Almost 14% of the population are disabled
- 10,000 businesses
- **Economic inequality** – the borough includes areas of affluence and significant deprivation, with every ward including neighbourhoods among the 20% most deprived in the country. Life expectancy varies significantly across the borough, but average life expectancy in Islington is amongst the lowest in London and significantly lower than the London and national average.
- **Deprivation** - Islington is the 24th most deprived authority in England. It has the third highest rate of child poverty and fifth highest rate of pensioner poverty. Nearly 22% of households are income deprived (including 35% of children) and almost 16% of the population live in households where no one is in work (including 20% of children). 47% and 67% of primary and secondary pupils, respectively receive the deprivation-linked pupil premium.

Islington Council performance and priorities

Islington Council has a number of key corporate priorities including:

- Delivering decent and genuinely affordable homes for all
- Delivering an inclusive economy, supporting people into work and helping them with the cost of living
- Creating a safe and cohesive borough for all
- Making Islington the best place for all young people to grow up
- Making Islington a welcoming and attractive borough and creating a healthier environment for all
- Ensuring our residents can lead healthy and independent lives
- Continuing to be a well-run council and making a difference despite reduced resources

The achievement of these is measured using corporate performance indicators. These are set out in the council's Corporate Plan and Annual Report. The council's performance against some of the key performance indicators is outlined below

Decent and affordable homes

The council's priorities include increasing the supply and choice of genuinely affordable homes, effective management of council housing stock, and preventing homelessness and supporting rough sleepers. Achievements included 161 under occupied households downsizing in 2018-19 compared to 145 in the previous year , proportion of completed major works open over 3 months reduced to 14% compared to 16% in the previous year, and 203 households accepted as homelessness compared to 225 the previous year.

Inclusive economy and work

The council's priorities include reducing levels of long term unemployment and worklessness, helping residents get the skills they need to secure a good job, and providing practical support to help residents cope with the cost of living. Achievements included 427 parents of children under 18 helped into work in 2018-19 compared to 388 the previous year, 167 Islington residents supported into apprenticeships with an external employer compared to 118 in the previous year, and 3,474 referrals to the Seasonal Health Intervention Network (SHINE) compared tp 2,548 in the previous year.

Well run council

The council's priorities include managing our budget efficiently and effectively, harnessing digital technology for the benefit of residents and staff, and making sure our workforce is diverse, skilled and motivated. Achievements included 170,156 online transactions in 2018-19 compared to 167,629 in the previous year, and 20.2% black and minority ethnic (BME) staff in the top 5% of earners compared to 19.29% the previous year.

Safe and cohesive borough

The council's priorities include making sure fewer young people are victims or perpetrators of crime, reducing levels of crime and anti social behaviour, keeping consumers informed and safe, and celebrating and protecting our diverse and integrated communities. The main achievements were the reduction in the percentage of repeat young offenders to 45% in 2018-19 compared to 54% the previous year, a reduction in the number of street crimes from 5,876 to 1,822, an increase in the numbers of licensing panels held to address concerns about premises from 30 to 42, and an increase in the number of homophobic offences reported to police from 92 to 105.

Healthy and independent lives

The councils priorities include supporting people to live healthy lives, helping residents to feel socially active and connected to their community, safeguarding and protecting older and vulnerable residents, and helping residents to live independently. The main achievements were an increase in the percentage of people using stop smoking services who quit from 46% the previous year to 57% in 2018-19, and an increase in the percentage of working age adults known to adult social care feeling they have adequate or better social contact from 69.7% to 77.8%.

Best place for young people to grow up

The council's priorities include always keeping children safe and secure and reducing the number of children growing up in poverty, making sure young children get the best start in life, and ensuring our schools are places where all young people can learn and thrive. The main achievements were the percentage of re referrals to Children's Social Care in the previous 12 months falling from 16.7% in the previous year to 16.3% in 2018-19, and the percentage rate of fixed exclusions in secondary schools falling from 11.38% to 10.73% based on latest available data.

Welcoming and attractive borough

The council's priorities include keeping the streets clean and promoting recycling, making it easier and safer for people to travel through the borough and beyond, making sure residents have access to high quality parks leisure facilities and cultural opportunities, and ensuring development is well planned The main achievements were a reduction in the number of missed waste collections (monthly average) from 550 in the previous year to

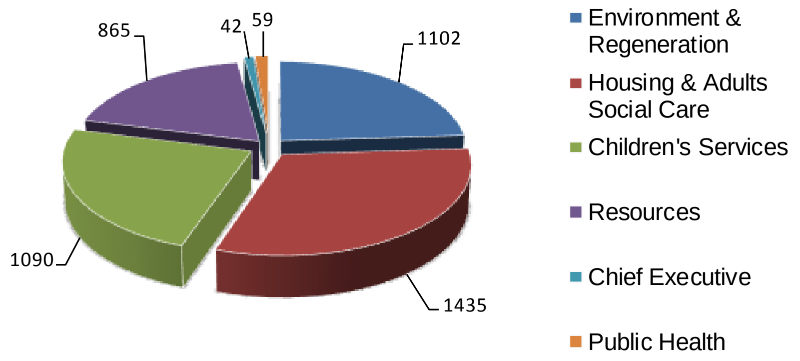
324 in 2018-19, an increase in the number of bike storage facilities from 2 to 116, and an increase in the number of entries to Islington in Bloom from 220 to 251.

The council will continue to focus on and monitor these priorities in 2019/20. The 2019-20 budget also includes particular priorities including making Islington fairer for all, prioritising spend on the right things in a challenging financial climate, and making Islington a leading authority for prevention and early intervention.

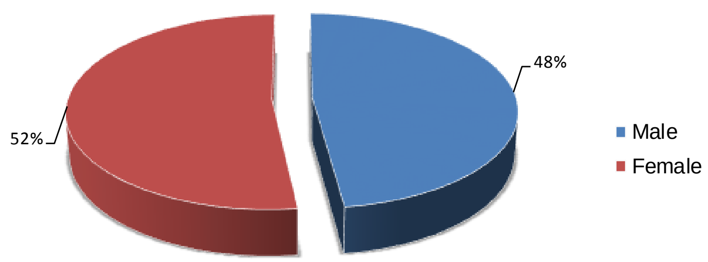
Staffing (update)

The council's employee headcount is 4593, an increase of 171 people in the last year.

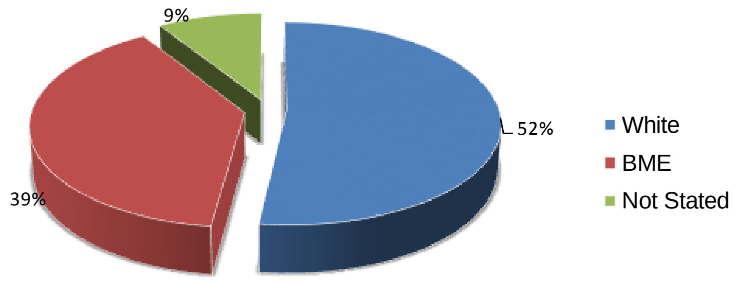
Department:



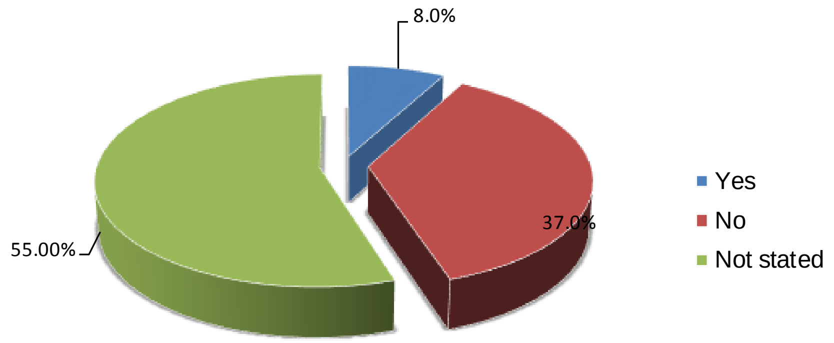
Gender:



Ethnicity:



Disability:



<u>Key risks</u>

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

Some of these risks are stable or decreasing in terms of likelihood or impact; others are an increasing or emerging concern.

Specific risks on the risk register (covered in the 2018-19 principal risks update report) include the following:

- Brexit (new risk) – This is the biggest single risk that the Council currently faces, given the current uncertainty ahead of the UK's proposed exit from the European Union and the unclear impact on the Council and local residents. There is a risk of disruption to local Council services and supply chains, linked to challenges around the availability of labour goods and services and declining funding from central government following withdrawal from the EU without a deal or resulting from the terms of the deal. This could lead to increased cost of services, contractor supply chain failure, civil unrest and an increase in cost of living. Risks will be mitigated by increased awareness and preparedness and oversight, working with the London Resilience Group and discussions with other boroughs, and also working on contingency planning including templates for all services
- New Homes Programme (new risk) – the programme is dependent on internal and external factors including decline in the housing market and contractor stability, along with internal challenges and adequacy of project management. Risks can be mitigated by communication activity and resident engagement, review of building opportunities and techniques, Programme Board challenge and

oversight including improved reporting and better oversight and information, contingency provision, project board and review of all schemes.

- Cyber security (increased risk) – increased protections are needed, linked to the evolving frequency and severity of threats which are challenging to mitigate and continue to represent a key area of risk management. There is a risk of key networks and critical information being compromised, linked to unauthorised access or modification of information, leading to denial of service, data breaches, reputational damage or service disruption. Risks can be controlled by good practice, additional controls to improve protection and regular data backup.
- Serious information breach (increased risk) – Increased resident awareness of data protection has led to an increased demand for advice, however the application of regulations and legislation is yet to be fully tested, leading to a risk of breaches. In particular, there is a risk that sensitive and personal information may not be kept securely, linked to non-compliance with policies and procedures and leading to fines or reputational damage. Risks can be controlled through general e learning and training, review of data protection and data handling policies, compliance systems including desktop messages, and oversight from the corporate governance group, risk owners meetings and action plans.
- Response and resilience (increased risk) – there is an increased risk of external factors triggering major events, leading to a need for more robust planning. In particular, there is a risk that we are unable to recover critical processes or respond well to major incidents within a reasonable time following disruptive events, this is linked to inadequate business continuity planning or disaster recovery leading to reputational damage, impact on resident safety, increased costs and unacceptable response times. Risks are controlled by reviewing and implementing business continuity plan arrangements, setting up the Resilience Board to improve management culture and ensure plans are completed, increasing resources which are kept under review, and exercises to test high risk areas with lessons learned being picked up.
- Financial Strategy – a three-year savings plan has now been finalised, including increased balances and contingencies to improve resilience. This should address risks around an imbalanced budget, lack of robust decision making, and depletion of reserves, through the use of a programme delivery and programme management approach, regular budget monitoring by corporate management board and the executive, and lobbying by London Treasurers, London Councils and the Greater London Authority around the Fair Funding Review proposals in particular.
- Youth Crime and serious violence – although overall crime is declining there has been an increase in serious violence and knife crime with rapidly changing risk levels, although the overall level of risk is currently considered to be stable
- Safeguarding Adults – the current level of risk is considered to be stable. The Council is required to avoid the risk of failure to fulfil its obligation to identify or respond to significant preventable harm to vulnerable adults due to provider failure, non-compliance with procedures or inadequate systems, leading to individual, reputational or financial risks.

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 2018/19 (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.

The Authority's responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Financial Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

The Chief Financial Officer's responsibilities

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

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

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2019 and of its income and expenditure for the year then ended.

Mohammed Sajid, Deputy Section 151 Officer
29th July 2019

Approval of the accounts

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

Councillor Nick Wayne, Chair of the Audit Committee
29th July 2019

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 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Movement in Reserves 2018/19	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 carried forward	**18,042**	**65,421**	**17,521**	**62,409**	**68,925**	**51,458**	**1,259**	**285,035**	**2,573,158**	**2,858,193**
Movement in reserves during 2018/19										
Total Comprehensive Income and Expenditure	(69,090)		19,926					(49,164)	(157,784)	(206,948)
Adjustments between accounting basis & funding basis under regulations (Note 14)	82,887		(4,661)		(12,221)	(14,711)	(2,174)	49,120	(49,120)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**13,797**	**0**	**15,265**	**0**	**(12,221)**	**(14,711)**	**(2,174)**	**(44)**	**(206,904)**	**(206,948)**
Transfers to/(from) Earmarked Reserves (Note 28)	(9,118)	4,151	(15,265)	15,265	-	-	4,967	0	-	0
Increase/ (Decrease) in 2018/19	**4,679**	**4,151**	**0**	**15,265**	**(12,221)**	**(14,711)**	**2,793**	**(44)**	**(206,904)**	**(206,948)**
Balance at 31 March 2019 carried forward	**22,721**	**69,572**	**17,521**	**77,674**	**56,704**	**36,747**	**4,052**	**284,991**	**2,366,254**	**2,651,245**

The General Fund carried forward balance of £22,721k as at 31 March 2019 comprises £10,881k General Fund balances and £11,840k of school reserves, as shown in the Expenditure and Funding Analysis (note 12).

Movement in Reserves 2017/18	**General Fund** £'000	**Earmarked General Fund Reserves** £'000	**Housing Revenue Account** £'000	**Earmarked HRA Reserves** £'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 2017 carried forward	**17,678**	**60,796**	**17,521**	**53,041**	**71,018**	**57,603**	**0**	**277,657**	**2,353,905**	**2,631,562**
Movement in reserves during 2017/18										
Total Comprehensive Income and Expenditure	(102,175)		45,612					(56,563)	283,194	226,631
Adjustments between accounting basis & funding basis under regulations (Note 14)	107,164		(25,800)		(2,093)	(6,145)	1,259	74,385	(74,385)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**4,989**	**0**	**19,812**	**0**	**(2,093)**	**(6,145)**	**1,259**	**17,822**	**208,809**	**226,631**
Transfers to/(from) Earmarked Reserves (Note 28)	(4,625)	4,625	(19,812)	9,368	-	-	-	(10,444)	10,444	0
Increase/ (Decrease) in 2017/18	**364**	**4,625**	**0**	**9,368**	**(2,093)**	**(6,145)**	**1,259**	**7,378**	**219,253**	**226,631**
Balance at 31 March 2018 carried forward	**18,042**	**65,421**	**17,521**	**62,409**	**68,925**	**51,458**	**1,259**	**285,035**	**2,573,158**	**2,858,193**

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 (or rents). Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis (note 12) and the Movement in Reserves Statement.

2017/18 Gross Expenditure (Restated) £'000	2017/18 Gross Income (Restated) £'000	2017/18 Net Expenditure (Restated) £'000	Comprehensive Income and Expenditure Statement	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
146,266	(71,890)	74,376	Children's Services (excluding Schools)	143,358	(74,537)	68,821
147,991	(136,151)	11,840	Schools	140,153	(128,554)	11,599
96,526	(64,649)	31,877	Environment and Regeneration	96,602	(69,149)	27,453
135,153	(47,590)	87,563	Housing and Adult Social Services	138,476	(54,593)	83,883
29,018	(29,421)	(403)	Public Health	28,567	(28,900)	(333)
2,191	(333)	1,858	Chief Executive	1,832	(245)	1,587
245,720	(203,162)	42,558	Finance and Resources	233,937	(195,015)	38,922
19,817	(1,957)	17,860	Corporate Items	38,470	(1,624)	36,846
173,304	(215,701)	(42,397)	Housing Revenue Account (HRA)	189,671	(214,065)	(24,394)
995,986	**(770,854)**	**225,132**	**Net Cost of Services**	**1,011,066**	**(766,682)**	**244,384**
78,465	(31,953)	46,512	Other Operating expenditure	35,562	(24,974)	10,588
51,532	(7,526)	44,006	Financing and investment income and expenditure	53,965	(6,043)	47,922
-	(259,087)	(259,087)	Taxation and non-specific grant income	17	(253,747)	(253,730)
1,125,983	**(1,069,420)**	**56,563**	**(Surplus) or Deficit on Provision of Services**	1,100,610	(1,051,446)	**49,164**
		(175,796)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			96,395
		-	(Surplus) or deficit from investments in equity instruments designated at fair value			(84)
		(107,398)	Actuarial (gains) or losses on pension assets / liabilities			61,473
		(283,194)	**Other Comprehensive Income and Expenditure**			**157,784**
		(226,631)	**Total Comprehensive income and Expenditure**			**206,948**

Prior year figures have been restated to reflect changes in management structure

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 2018 *£'000*	Balance Sheet	31 March 2019 *£'000*	Notes
4,044,359	Property, Plant & Equipment	3,965,375	18
487	Heritage Assets	487	
31,227	Investment Property	32,675	19
10,696	Long Term Investments	10,752	23
16,433	Long Term Debtors & Prepayments	8,687	26
4,103,202	**Total Long-Term Assets**	**4,017,976**	
122,695	Short Term Investments	85,482	23
760	Inventories	1,118	
76,321	Short Term Debtors	65,737	26
16,663	Cash and Cash Equivalents	20,791	30
216,439	**Total Current Assets**	**173,128**	
(142,346)	Short Term Creditors	(119,530)	25
(67,347)	Short Term Borrowing	(30,375)	23
(22,458)	Cash and Bank Overdrawn	(24,523)	30
(8,114)	Short Term Provisions	(12,058)	27
(12,185)	Short Term Grants Receipts in Advance	(12,682)	38
(252,450)	**Total Current Liabilities**	**(199,169)**	
(12,119)	Long Term Provisions	(20,341)	27
(246,222)	Long Term Borrowing	(266,109)	23
(802,883)	Liability Related to Defined Benefit Pensions Scheme	(916,402)	36
(123,899)	Other Long Term Liabilities	(111,188)	23
(23,875)	Long Term Grants Receipts in Advance	(26,650)	38
(1,208,998)	**Total Long Term Liabilities**	**(1,340,690)**	
2,858,193	**Net Assets**	**2,651,245**	
285,035	Usable Reserves	284,991	MIRS
2,573,158	Unusable Reserves	2,366,254	29
2,858,193	**Total Reserves**	**2,651,245**	

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.

2017/18 £'000	Cash Flow Statement	2018/19 £'000
(56,563)	**Net surplus or (deficit) on the provision of services**	**(49,164)**
164,940	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	160,993
(56,857)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(43,560)
51,520	**Net cash flows from Operating Activities (Note 31)**	**68,269**
(76,629)	Investing Activities (Note 32)	(20,058)
28,909	Financing Activities (Note 33)	(46,148)
3,800	**Net increase or (decrease) in cash and cash equivalents**	**2,063**
(9,595)	Cash and Cash equivalents at the beginning of the reporting period	(5,795)
(5,795)	**Cash and cash equivalents at the end of the reporting period (Note 30)**	**(3,732)**

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2018/19 financial year and its financial position at the year-end of 31 March 2019. 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 2018/19 (the Code), 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract as per IFRS 15.
- 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. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments 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.

iv. 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.

v. 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.

vi. 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 contribution from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). 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.

vii. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

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

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

viii. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 segment or, where applicable, to the Corporate Costs service segment 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 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 service line and Public Health service line 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 service 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 2.7% (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 (scheme amendment or curtailment) 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 Corporate items.
- 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 (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
    - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the 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 transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees

<u>Discretionary Benefits</u>

The council 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.

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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value.

They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES 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 derecognition of the asset are credited / debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.
Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

instruments with quoted market prices – the market price

other instruments with fixed and determinable payments – discounted cash flow analysis.

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 council 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.

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

Fair value through other comprehensive income (FVOCI)

This applies where cash flows are solely payments of principal and interest and the council's business model for managing the assets is to collect those cash flows and to sell the assets.
However, the council holds equity investments that would otherwise be accounted for under FVPL but has elected for these to the accounted for as fair value through other comprehensive income.

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 as at 31 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. Community Infrastructure Levy

The council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the council) 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 proportion of the charges may be used to fund revenue expenditure.

xiv. Interests in Companies and Other Entities

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

xv. 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, where material, 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.

xvi. Joint Operations

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 authority 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 authority 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.

xvii. 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.

xviii. 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

<u>Recognition</u>

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not 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 and increases the value of the asset, or is part of a group of similar assets.

<u>Measurement</u>

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 current value
- Infrastructure and Community Assets – Depreciated historical cost.
- All other assets – current 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 current 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 current 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. Gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Dwellings 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 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 the works are not completed by the end of the financial year and the asset is not yet in operational use and the asset is not yet in operational use, 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.

xix. 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 (capital investment). 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 asset life method)
- Lifecycle replacement costs – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.

xx. 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.

xxi. Reserves

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring 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, local taxation and retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies.

xxii. 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.

xxiii. 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. Where VAT is not recoverable it id included as an expense.

xxiv. Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance. Each service segment includes the appropriate charges for the use of its non-current assets and appropriate employee benefit accrued costs.

xxv. Schools

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

xxvi. Fair Value Measurement

The council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each Balance Sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the council's financial statements are categorised within the fair value hierarchy, as follows:

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

2. Prior Period Adjustments

There have been no material prior period adjustments to the Statement of Accounts. No material errors have been identified in the 2017/18 Statement of Accounts requiring correction in this set of accounts.

3. Accounting Standards Issued, But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2018/19 Code. The most pertinent ones are listed below and will apply to local authorities from 1 April 2019:

Amendments to IAS 40 Investment Property: Transfers of Investment Property
This clarifies whether an entity should transfer property under construction of development to, or from, investment property when there is a change in the use of such property which is supported by evidence other than specifically listed in paragraph 57 of IAS 40. The Council does not normally hold any investment properties or transfer properties between Assets Under Construction and this note will have minimal impact on the Financial statements.

Annual Improvements to IFRS Standards 2014-2016 Cycle (December 2016). The amendments that may apply to local authorities include:

IFRS 12 Disclosure of Interests in Other Entities:
These minor amendments clarify that the disclosure requirements in IFRS 12 apply to interests that are classified as held for sale or discontinued operations. The Council does not have any this year and so no impact ins expected

IAS 28 Investments in Associates and Joint Ventures:
IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. An associate is an entity over which the investor has significant influence. The Council currently does not have any associates and this change will have minor impact on the financial statements

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The International Accounting Standards Board issued IFRIC® Interpretation 22 Foreign Currency Transactions and Advance Consideration in December 2016, which explains how companies determine the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The Council has very little such transactions in a foreign currency and so no impact is expected on the financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments
In June 2017 the International Accounting Standards Board (Board) issued IFRIC 23 Uncertainty over Income Tax Treatments. This aims to reduce diversity in how companies recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments. This is not expected to have any material impact on the Council

Amendments to IFRS 9 Financial Instruments:
In October 2017, the International Accounting Standards Board (Board) issued Prepayment Features with Negative Compensation (Amendments to IFRS 9). These amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation
The Council has not issued any loans that have a prepayment feature and this change should not have an impact on the Financial Statements.

IFRS 16 Leases
Where a local authority is a lessee it will be required to recognise most leases, with a term of more than 12 months, on its balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC announced in December 2018 that they have deferred implementation of IFRS16 for local government to 1st April 2020.

4. 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 shown below:

- 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), which falls within the Council's group boundary due to control and significant influence. ICo provides a number of services such as memorials to the public, out of borough trade waste and pest control services. Its gross turnover (2017/18) was £0.643m, and it had gross assets and liabilities of £0.41m and -£0.51m respectively. None of its income was from the Council however it paid £0.52m (of total spend £0.67m – 78%) to the Council for services. ICo is not consolidated into the Council's group accounts on grounds of materiality.
- The council recognises school assets for community schools on its Balance Sheet. The council has not recognised 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.

5. 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 as at 31 March 2019 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 £42.7m.

Asset Valuations

The council's Property Plant and Equipment (PPE) are held on a long term basis and require regular valuation to ensure the council's financial statements 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 Guidance for 2016 (*published by the Ministry of Housing, Communities and Local Government (MHCLG). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties. An adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. The adjustment is used to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.

A 1 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £121m.

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 £5.9m 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.

Leases / Service Concessions

The council has 29 leases for Property, Plant & Equipment and has classified them as either finance or operating leases. The impact of deeming 18 of these as finance leases is that £86m of assets have been included in the Balance Sheet. (The larges asset is the Waste Recycling centre with a net book value of £65m acquired on a long lease). A further 11 assets have been deemed to be operating leases and are not recognised in the asset register.

The council has recognised six public/ private partnerships, as service concessions under IFRIC12. The value of assets and liabilities recognised as service concessions are shown in Note 21.

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 Comprehensive Income and Expenditure Statement. 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 £74m 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 £1.65m to the provision needed.

6. Significant Agency Income and Expenditure

The council has an agency agreement with Thames Water whereby the council collects the payment of water bills from its HRA tenants on behalf of Thames Water. The council received income of £1.473m for this arrangement in 2018/19 (£1.476m in 2017/18).

7. 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 2018/19, 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 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; to meet demographic pressures in social care; and to incentivise providers to support integrated care.

Islington Council 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 and Expenditure Statement.

Pooled Budgets 2018-19	Gross Expenditure	Islington Council Contribution	Islington CCG Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	34,841	(30,615)	(4,226)	-	-	(34,841)
Intermediate Care Pooled Fund	6,584	(1,992)	(4,592)	-	-	(6,584)
Integrated Community Equipment Services Pooled Fund	1,706	(1,186)	(520)	-	-	(1,706)
Mental Health Commissioning Adult Mental Health Care	4,422	(2,242)	(2,180)	-	-	(4,422)
Carers Pooled Fund	873	(795)	(78)	-	-	(873)
MHCOP Pooled Fund	5,936	(3,354)	(2,582)	-	-	(5,936)
Mental Health Care Trust Pooled Fund	13,676	(3,005)	-	(10,671)	-	(13,676)
Better Care Fund	28,786	(11,741)	(17,045)			(28,786)
Totals	**96,824**	**(54,930)**	**(31,223)**	**(10,671)**	**0**	**(96,824)**

Pooled Budgets 2017-18	Gross Expenditure	Islington Council Contribution	Islington CCG Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	33,263	(28,852)	(4,411)	-	-	(33,263)
Intermediate Care Pooled Fund	6,695	(1,987)	(4,594)	-	(114)	(6,695)
Integrated Community Equipment Services Pooled Fund	1,353	(903)	(450)	-	-	(1,353)
Mental Health Commissioning Adult Mental Health Care	4,648	(2,461)	(2,187)	-	-	(4,648)
Carers Pooled Fund	923	(828)	(95)	-	-	(923)
MHCOP Pooled Fund	5,828	(3,332)	(2,496)	-	-	(5,828)
Mental Health Care Trust Pooled Fund	13,462	(3,229)	-	(10,233)	-	(13,462)
Better Care Fund	24,874	(8,790)	(16,084)			(24,874)
Totals	**91,046**	**(50,383)**	**(30,317)**	**(10,233)**	**(114)**	**(91,046)**

8. Members' Allowances

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

2017/18 £'000	Members' Allowances	2018/19 £'000
511	Basic Allowance	519
360	Special Responsibility Allowance	367
3	Other Allowances	3
874	**Total**	**889**

Details of the amounts paid to individual councillors are published on the council's website.

9. Officers' Remuneration

Senior officers' remuneration

The tables below show senior officers' remuneration in 2018/19 and 2017/18.

Senior officers remuneration for 2018/19 Post	Salary (Including fees & allowances) £	Other Payments £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive - L Seary	166,479	54,531	221,010	23,141	**244,151**
Corporate Director of People (i)	147,647	-	147,647	20,523	**168,170**
Corporate Director of Environment & Regeneration (ii)	102,713	-	102,713	-	**102,713**
Service Director Financial & Asset Management - Acting Section 151 Officer (iii)	118,557	-	118,557	16,479	**135,036**
Corporate Director of Housing (iv)	88,966	-	88,966	12,379	**101,345**
Corporate Director of Resources (v)	43,195	-	43,195	-	**43,195**
Director of Public Health (vi)	114,717	-	114,717	16,556	**131,274**
Headteacher (Elizabeth Garrett Anderson) - J Dibb	153,228	-	153,228	-	**153,228**
Head of Strategy & Change (vii)	8,431	-	8,431	1,172	**9,603**
Head of Strategy & Change (viii)	66,920	-	66,920	9,302	**76,222**
Head of Communications & Change	63,206	-	63,206	9,059	**72,265**
Total	**1,074,060**	**54,531**	**1,128,591**	**108,610**	**1,237,202**

(i) Up until March 2019, the Corporate Director of People postholder was the Corporate Director of Children's Services. The remuneration covers both roles

(ii) The Corporate Director of Environment & Regeneration post holder was 0.7 full time equivalent. The postholder received £4,900 from NLWA for duties carried out on behalf of that Authority.

(iii) The Service Director Financial & Asset Management became the Acting Section 151 Officer in July 2018. The remuneration shown is the full year remuneration received by the post holder

(iv) New post from March 2019. The post holder prior to this role was seconded to the Royal Borough of Kensington & Chelsea, who reimbursed the remiuneration for that role. The remuneration shown is for both roles

(v) The Corporate Director of Resources left the council in July 2018. The Annualised salary was £140,769

(vi) The post of Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them.

(vii) Head of Strategy of Change to May 2018 , annualised salary was £73,269

(viii) Head of Strategy & Change from June 2018, was previously Head of Design and Transformation. The remuneration shown is the full year remuneration received by the post holder

The following table shows the cost to the Council for interim post holders carrying out senior officer roles who are not directly employed by the Council

Senior Officer Remuneration (Interim Post Holders)	Total Cost to the Council £
Interim Corporate Director of Resources (i)	**194,925**
Interim Corporate Director of Housing (ii)	**276,562**

i) Interim Corporate Director of Resources from July 2018

ii) Interim Corporate Director of Housing & Adults Social Services up to end of February, and subsequently Interim Programme Director (Localities). The cost includes both roles

The total cost to the Council in the above table is the amount paid to the agency for the interim post holder, and does not necessarily represent the remuneration which the interim post holder recieved.

Senior officers remuneration for 2017/18	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 - L Seary	163,215	-	**163,215**	21,544	**184,759**
Corporate Director of Children's Services	144,802	-	**144,802**	19,114	**163,916**
Corporate Director of Environment & Regeneration *	139,327	-	**139,327**	16,925	**156,252**
Corporate Director of Housing & Adult Social Services	132,716	-	**132,716**	17,518	**150,234**
Corporate Director of Resources	137,089	-	**137,089**	-	**137,089**
Director of Public Health **	115,134	-	**115,134**	16,556	**131,690**
Head of Strategy & Change	69,882	-	**69,882**	9,224	**79,106**
Head of Communications & Change	63,892	-	**63,892**	8,434	**72,326**
Total	**966,057**	-	**966,057**	**109,316**	**1,075,373**

* The Corporate Director of Environment & Regeneration postholder w ent from full time to 0.7 full time equivalent w ith effect from 20/2/18. The postholder received £6,789 from NLWA for duties carried out on behalf of that Authority.

** The post of Director of Public Health is shared w ith London Borough of Camden and 52% of the costs are recharged to Camden.

The council does not operate a bonus scheme for senior officers, nor does it offer expense allowances.

Remuneration bands above £50k

Employees receiving more than £50k remuneration for the year (excluding employers' pension contributions but including redundancy payments) are shown below. This table excludes senior officers, who are shown above.

Remuneration Band	2017/18 Schools (Restated) No of employees	2018/19 Schools No of employees	2017/18 Other (Restated) No of employees	2018/19 Other No of employees
£50,000 - £54,999	78	86	106	138
£55,000 - £59,999	45	47	81	97
£60,000 - £64,999	17	22	46	53
£65,000 - £69,999	22	19	25	23
£70,000 - £74,999	8	12	10	14
£75,000 - £79,999	7	5	8	6
£80,000 - £84,999	5	6	8	3
£85,000 - £89,999	4	3	11	18
£90,000 - £94,999	6	2	1	3
£95,000 - £99,999	2	5	4	3
£100,000 - £104,999	1	4	4	6
£105,000 - £109,999	2	-	3	3
£110,000 - £114,999	-	2	6	6
£115,000 - £119,999	-	-	-	-
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	1	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	1	-	-	-
over £150,000	-	-	-	-
Total	199	213	313	373

Remuneration disclosures are stipulated by legislation only to include staff where the authority is the employer. In the case of voluntary aided and foundation schools, the authority is not the employer, and prior year figures have been restated to reflect this

Termination Benefits

The table below shows the number and cost of exit packages agreed by the council. Exit packages are grouped according to cost band. The table shows the number of compulsory redundancies and other departures within each cost band. It also shows the total cost of all exit packages, analysed by cost band.

Exit Package cost band (including special payments)	Number of compulsory redundancies 2017/18	Number of compulsory redundancies 2018/19	Number of other departures agreed 2017/18	Number of other departures agreed 2018/19	Total number of exit packages by cost band 2017/18	Total number of exit packages by cost band 2018/19	Total cost of exit packages in each band 2017/18 £'000	Total cost of exit packages in each band 2018/19 £'000
£0 - £20,000	21	24	45	78	66	102	425	562
£20,001 - £40,000	6	1	10	17	16	18	437	494
£40,001 - £60,000	2	2	3	3	5	5	222	260
£60,001 - £80,000	2	-	4	1	6	1	430	77
£80,001 - £100,000	-	-	1	-	1	-	86	-
£100,001 - £150,000	-	1	2	-	2	1	239	147
Over £150,000	-	1	-	-	-	1	-	161
Total	31	29	65	99	**96**	**128**	**1,839**	**1,701**
Other costs associated with termination benefits							453	281
Total termination benefits							**2,292**	**1,982**

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 school employees.

The 2018/19 cost of termination benefits of £1.98m includes £272k for exit packages that have been agreed, accrued for and charged to the council's Comprehensive Income and Expenditure Statement in the current year. The £0.28m other costs associated with termination benefits in 2018/19 relate to additional costs incurred relating to 2017/18 accruals estimates and costs relating to flexible retirement.

10. 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 the council or to be controlled or influenced by the council. 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 benefits).

Grants received from government departments in 2018/19 and grant balances held in receipts in advance are shown in Note 38.

Members / Officers

Members of the council and senior officers 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 declarations of interest completed by members and senior officers. Details of each member's declaration can be viewed on the council's website.

There are a number of organisations which are independent from the council, but have an impact on its service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees, boards and forums that are responsible for them. Details of these appointments are available online at https://democracy.islington.gov.uk/mgListOutsideBodies.aspx?bcr=1. They are included in the table below.

Members' allowances paid in 2018/19 are disclosed in Note 8.

Significant related party transactions are detailed in the following table:

Organisation	Nature of Relationship	Income 2018/19 £'000	Expenditure 2018/19 £'000	Amounts owed (by)/to Islington Council 31 March 2019 £'000
Members/Senior officers				
Voluntary organisations, charities and community groups	Two senior officers and 17 members are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council	51	785	7
Universities, Colleges & Schools	One member and two senior officers are involved in the management of universities, colleges or schools which transact with Islington Council	1,634	766	1,010
Other Public Bodies				
NHS organisations	Three members and three senior officers are involved in the management of NHS organisations which transact with the council. Note 7 shows the transactions and balances relating to partnerships with local NHS bodies under Section 75 of the National Health Service Act 2006 (Pooled Budgets).	30,232	19,274	5,435
Local authorities - Camden Council	Islington Council transacts with other local authorities. Camden Council is the main authority that Islington Council transacts with.	4,336	8,166	(6,762)
North London Waste Authority	Two members are board members of this organisation.	1,066	8,533	339
Private Companies	One senior officer is a board member of a private company which transacts with Islington Council	-	49	-
Other Public Bodies	Six members, one senior officer and one member's family members hold positions of influence in public organisations which transact with Islington Council	-	125	-
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.	-	13,485	4
Angel BID Ltd and the Bee Farringdon & Clerkenwell BID	One member sits on the boards of the Business Improvement Districts in Angel and Farringdon & Clerkenwell. Islington Council facilitates the collection of the BID levy annually on behalf of the two BIDs. The BID levy is not included in this table.	457	26	11
Subsidiaries	Islington Ltd is a wholly owned subsidiary of the council. Two members and two senior officers are on the board of this organisation.	893	10	352
Other Related Parties				
Islington Council Pension Fund	As administrator of the pension fund, the council has direct control of the fund. The related party figures shown here differ from those reported in the Pension Fund financial statements due to timing differences.	1,220	26,659	2,668

11. Fees payable to the Appointed Auditor

In 2018/19, Islington Council incurred the following fees relating to external audit:

2017/18 £'000	Fees Payable to the Appointed Auditor	2018/19 £'000
Audit Services		
203	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	156
31	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	35
13	Additional fees payable to the appointed auditor relating to prior year audits and audit objections	-
247	**Total Fees for Audit Services**	**191**
Non-Audit Services		
-	Fees payable in respect of non-audit services provided by the appointed auditor during the year	10

There was a change in Appointed Auditor between 2017/18 and 2018/19. In 2017/18 the Council's Appointed Auditor was KPMG LLP. From 2018/19 the Council's Appointed Auditor is Grant Thornton UK LLP.

12. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2017/18 Net Expenditure Chargeable to the General Fund and HRA Balances (Restated) £'000	2017/18 Adjustments between the Funding and Accounting Basis (Restated) £'000	2017/18 Net Expenditure in the Comprehensive Income and Expenditure Statement (Restated) £'000	Expenditure and Funding Analysis	2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2018/19 Adjustments between the Funding and Accounting Basis £'000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
65,444	8,932	74,376	Children's Services (excluding schools)	64,728	4,093	68,821
(5)	11,845	11,840	Schools	(2,486)	14,085	11,599
7,250	24,627	31,877	Environment and Regeneration	2,835	24,618	27,453
76,486	11,077	87,563	Housing & Adult Social Services	73,792	10,091	83,883
(740)	337	(403)	Public Health	(633)	300	(333)
1,434	424	1,858	Chief Executive	1,315	272	1,587
35,157	7,401	42,558	Finance & Resources	34,819	4,103	38,922
(190,015)	207,875	17,860	Corporate Items	(188,162)	225,008	36,846
(19,813)	(22,584)	(42,397)	Housing Revenue Account	(15,264)	(9,130)	(24,394)
(24,802)	**249,934**	**225,132**	**Net Cost of Services**	**(29,056)**	**273,440**	**244,384**
-	(168,569)	(168,569)	Other Income and Expenditure	-	(195,220)	(195,220)
(24,802)	**81,365**	**56,563**	**(Surplus) or Deficit**	**(29,056)**	**78,220**	**49,164**
(149,036)			Opening General Fund and HRA Balance	(173,838)		
(24,802)			Less Deficit on General Fund and HRA Balance in Year	(29,056)		
(173,838)			Closing General Fund and HRA Balance	(202,894)		

Prior year figures have been restated to reflect changes in management structure

31 Mar 17		31 Mar 18	General Fund and HRA Balances	31 Mar 18		31 Mar 19
(8,675)	(48)	(8,723)	General Fund Balance	(8,723)	(2,158)	**(10,881)**
(60,796)	(4,625)	(65,421)	General Fund Earmarked Reserves*	(65,421)	(4,151)	**(69,572)**
(9,003)	(316)	(9,319)	Schools	(9,319)	(2,522)	**(11,841)**
(17,521)	-	(17,521)	HRA Balance	(17,521)	-	**(17,521)**
(53,040)	(9,369)	(62,409)	HRA Earmarked Reserves	(62,409)	(15,265)	**(77,674)**
(149,036)	(14,358)	(163,393)	Total	(163,393)	(24,096)	**(187,489)**

*£4.96m was adjusted from General Fund Earmarked Reserves to Capital Grants Unapplied

Details of the adjustments between the funding basis and the accounting basis are given below.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £'000	Adjustments for Pensions £'000	Adjustments between accounting policies for reporting £'000	Other Adjustments £'000	Total Adjustments £'000
Children's Services (excluding schools)	(1,796)	5,854	-	35	4,093
Schools	8,780	5,065	-	240	14,085
Environment and Regeneration	19,068	5,515	-	35	24,618
Housing & Adult Social Services	7,516	2,546	-	29	10,091
Public Health	-	281	-	19	300
Chief Executive	-	304	-	(32)	272
Finance & Resources	(852)	4,920	-	35	4,103
Corporate	(3,740)	32,116	199,687	(3,055)	225,008
Housing Revenue Account	20,922	4,304	(4,467)	(29,889)	(9,130)
Net Cost of Services	**49,898**	**60,905**	**195,220**	**(32,583)**	**273,440**
Other Income and Expenditure	-		(195,220)	-	(195,220)
(Surplus) or Deficit	**49,898**	**60,905**	**0**	**(32,583)**	**78,220**

Adjustments for Capital Purposes

This column includes the following adjustments:

- Addition of depreciation, amortisation, impairments and revaluation gains and losses in the service lines as these are not chargeable under generally accepted accounting practices.
- Adjustment for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- A contribution from the Capital Receipts Reserve is made to compensate the General Fund for payments to the Government capital receipts pool
- Deduction of statutory charges for capital financing, including the Minimum Revenue Provision, as these are not chargeable under generally accepted accounting practices. Deduction of statutory charges relating to repayments of PFI and lease liabilities as these are not chargeable under generally accepted accounting practices.
- The movements in the fair value of investment properties are reversed out in the Comprehensive Income and Expenditure Statement as they are not proper charges to the General Fund
- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Comprehensive Income and Expenditure Statement is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- Adjustment in respect of revenue expenditure funded from capital under statute. The underlying revenue nature of the expenditure means that it will be debited to the Comprehensive Income and Expenditure Statement as it is incurred, but if the council applies the statutory provision to treat the expenditure as capital, it is reversed out of the Comprehensive Income and Expenditure Statement.

Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income

- For services, this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- The net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Adjustments between accounting policies for internal management and financial reporting

Adjustments to reclassify items which the Code dictates must sit outside Cost of Services in the Comprehensive Income and Expenditure Statement but which are reported and managed internally under Corporate services and the HRA. Notes 15, 16 and 17 provide a breakdown of the items that sit outside Cost of Services.

Other Adjustments

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute

- A transfer equivalent to HRA depreciation, and additional contributions required to sustain the HRA business plan, from the HRA to the major repairs reserve as these are not chargeable to the HRA under generally accepted accounting practices.
- The charge representing the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

13. Expenditure and Income Analysed By Nature

The authority's expenditure and income is analysed as follows:

2017/18 £'000	Expenditure and Income Analysed by Nature	2018/19 £'000
	Expenditure	
362,725	Employee expenses	378,387
565,110	Other service expenses	560,826
60,931	Depreciation	59,055
7,832	Revaluation (Gains) / Losses & Impairments	16,601
50,636	Interest expenses	50,179
7,061	Precepts & levies	7,499
17,634	Payments to the government Housing Capital Receipts Pool	14,967
54,054	Disposal of assets	13,096
1,125,983	**Total Expenditure**	**1,100,610**
	Income	
(324,223)	Fees, charges and other service income	(330,006)
(1,552)	Interest and investment income	(854)
(32,248)	Proceeds from the sale of assets	(24,974)
(165,841)	Income from council tax and non-domestic rates	(217,034)
(545,556)	Government grants and contributions	(478,578)
(1,069,420)	**Total Income**	**(1,051,446)**
56,563	**(Surplus) or Deficit on the Provision of Services**	**49,164**

14. 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 arrive at the resources that are specified by statutory provisions as being available to the council to meet future capital and revenue expenditure.

2018/19 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(29,160)	(29,894)	-	-	-	59,054
Revaluation gains / losses on Property Plant and Equipment	6,426	(20,475)	-	-	-	14,049
Impairment of Property Plant and Equipment	(2,553)	-	-	-	-	2,553
Movement in the fair value of Investment Properties	2,026	287	-	-	-	(2,313)
Capital grants and contributions applied	12,524	6,157	-	-	-	(18,681)
Revenue expenditure funded from capital under statute	(7,477)	-	-	-	-	7,477
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	(6,107)	(6,764)	-	-	-	12,871
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	1,283	-	-	-	-	(1,283)
Repayment of lease / PFI liabilities	2,381	8,334				(10,715)
Capital expenditure charged against the General Fund and HRA	3,193	-	-	-	-	(3,193)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	277	-	-	-	(277)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	2,451	(2,451)
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	3,402	21,572	(24,974)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	21,863	-	-	(21,863)
Use of capital receipts to fund disposal costs	(225)	(140)	365	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	(14,967)	-	14,967	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	0

2018/19 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves: General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the 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	-	29,893	-	(29,893)	-	0
Additional Contributions from the HRA	-	-	-	-	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	44,604	-	(44,604)
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	-	-	-	-	-	0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(87,996)	(8,704)	-	-	-	96,700
Employer's pensions contributions and direct payments to pensioners payable in the year	31,391	4,400	-	-	-	(35,791)
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	3,055	-	-	-	-	(3,055)
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	(360)	(5)	-	-	-	365
Total Adjustments	**(82,887)**	**4,661**	**12,221**	**14,711**	**2,174**	**49,120**

2017/18 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves: General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(28,550)	(32,381)	-	-	-	60,931
Revaluation losses on Property Plant and Equipment	(814)	(7,018)	-	-	-	7,832
Movement in the fair value of Investment Properties	3,283	250	-	-	-	(3,533)
Amortisation of intangible assets	-	-	-	-	-	0
Capital grants and contributions applied	18,588	4,999	-	-	-	(23,587)
Income in relation to donated assets	-	-	-	-	-	0
Revenue expenditure funded from capital under statute	(9,025)	-	-	-	-	9,025
Amounts of non current assets w ritten off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(44,229)	(9,825)	-	-	-	54,054
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	1,227	-	-	-	-	(1,227)
Repayment of lease / PFI liabilities	2,517	7,560				(10,077)
Capital expenditure charged against the General Fund and HRA	1,761	-	-	-	-	(1,761)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	1,259	-	-	-	(1,259)	0
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-	0
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	45	32,203	(32,248)	-	-	0
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	16,458	-	-	(16,458)
Use of capital receipts to fund disposal costs	-	(248)	248	-	-	0
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	(17,635)	-	17,635	-	-	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	0

2017/18 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the 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	-	32,382	-	(32,382)	-	0
Additional Contributions from the HRA	-	2,698	-	(2,698)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	41,225	-	(41,225)
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	-	-	-	-	-	0
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(67,617)	(8,948)	-	-	-	76,565
Employer's pensions contributions and direct payments to pensioners payable in the year	30,608	4,098	-	-	-	(34,706)
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	832	-	-	-	-	(832)
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	586	30	-	-	-	(616)
Total Adjustments	**(107,164)**	**25,800**	**2,093**	**6,145**	**(1,259)**	**74,385**

15. Other Operating Expenditure

The table below shows a breakdown of 'Other Operating Expenditure' included in the Comprehensive Income and Expenditure Statement.

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000	Other Operating Expenditure	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
7,061		7,061	Levies	7,499	-	7,499
17,634		17,634	Payments to the Government Housing Capital Receipts Pool	14,967	-	14,967
53,770	(31,953)	21,817	Gains/Loss on the disposal of non-current assets	13,096	(24,974)	(11,878)
78,465	**(31,953)**	**46,512**	**Total**	**35,562**	**(24,974)**	**10,588**

16. Financing and Investment Income and Expenditure

The table below shows a breakdown of 'Financing and Investment Income and Expenditure' included in the Comprehensive Income and Expenditure Statement.

2017/18 Gross Expenditure £'000	2017/18 Gross Income £'000	2017/18 Net Expenditure £'000	Financing and Investment Income and Expenditure	2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000
29,923	-	29,923	Interest payable and similar charges*	31,670	-	31,670
20,713	-	20,713	Net interest on the net defined benefit liability	20,828	-	20,828
-	(1,552)	(1,552)	Interest Receivable and similar Income	-	(891)	(891)
612	(5,679)	(5,067)	Income and expenditure in relation to investment properties and changes in the fair value	1,467	(5,152)	(3,685)
284	(295)	(11)	Gains/Loss on the disposal of investment properties	-	-	0
51,532	**(7,526)**	**44,006**	**Total**	**53,965**	**(6,043)**	**47,922**

* The 2018/19 figure includes £2.3m for loss allowances and impairment pertaining to trade receivables as per IFRS 9 requirements, however the comparable 2017/18 figure does not include £1.8m for trade loss allowances and impairment.

17. Taxation and Non-Specific Grant Income

The table below shows a breakdown of 'Taxation and Non-Specific Grant Income' included in the Comprehensive Income and Expenditure Statement.

2017/18 Gross Income (Restated) £'000	Taxation and Non Specific Grant Income	2018/19 Gross Income £'000
(82,799)	Council Tax Income	(89,514)
(90,243)	Business Rates Income	(135,005)
(40,818)	Revenue Support Grant	-
(20,381)	Non-ringfenced government grants	(10,253)
(234,241)	**Taxation and Non-Specific Revenue Grant Income**	**(234,772)**
(24,846)	Capital grants and contributions	(18,958)
(259,087)	**Total**	**(253,730)**

In 2018/19 the Council entered into a pooling arrangement with other London councils in respect to its income from the collection of business rates. Items in the prior year which were shown as grants and which are now included within this pooling arrangement have been restated as business rates income.

18. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2018/19	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation									
As at 31 March 2018	**3,166,184**	**657,833**	**43,624**	**258,164**	**27,766**	**41**	**45,935**	**4,199,547**	**427,442**
Additions	33,022	21,209	210	7,891	-	-	42,743	**105,075**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(136,105)	39,708	-	-	-	-	-	**(96,397)**	105,136
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(47,722)	(1,919)	-	-	-	-	-	**(49,641)**	(3,041)
Derecognition - Disposals	(6,748)	(6,314)	(7,442)	-	-	-	-	**(20,504)**	(669)
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	865	-	-	-	-	-	**865**	-
Other movements in cost or valuation	12,796	876	-	-	-	-	(13,672)	**-**	-
As at 31 March 2019	**3,021,427**	**712,258**	**36,392**	**266,055**	**27,766**	**41**	**75,006**	**4,138,945**	**528,868**
Accumulated Depreciation and Impairment									
As at 31 March 2018	**-**	**(31,066)**	**(28,658)**	**(92,237)**	**(3,227)**	**-**	**-**	**(155,188)**	**(13,674)**
Depreciation charge	(27,292)	(15,742)	(3,767)	(12,254)	-	-	-	(59,055)	(9,042)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	27,227	8,367	-	-	-	-	-	35,594	7,422
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(2,553)	-	-	-	-	-	(2,553)	-
Derecognition - Disposals	56	134	7,442	-	-	-	-	7,632	14
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	9	(9)	-	-	-	-	-	-	-
As at 31 March 2019	**-**	**(40,869)**	**(24,983)**	**(104,491)**	**(3,227)**	**-**	**-**	**(173,570)**	**(15,280)**
Net Book Value as at 31 March 2019	**3,021,427**	**671,389**	**11,409**	**161,564**	**24,539**	**41**	**75,006**	**3,965,375**	**513,588**

Movement in Property, Plant and Equipment - 2017/18	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									
As at 31 March 2017	**2,980,384**	**684,233**	**38,806**	**251,146**	**28,294**	**40**	**56,695**	**4,039,598**	**404,264**
Additions	31,583	12,146	4,857	7,018			25,283	**80,887**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	161,442	14,354	-	-	-	-	-	**175,796**	27,408
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(32,019)	(8,606)	-	-	-	-	-	**(40,625)**	(3,579)
Derecognition - Disposals	(8,947)	(45,686)	(39)	-	(528)	-	-	**(55,200)**	(651)
Derecognition - Other	-	-	-	-	-	-	-	**-**	
Assets reclassified (to)/from Held for Sale and Investment Properties	-	(915)	-	-	-	-	-	**(915)**	
Other movements in cost or valuation	33,741	2,301	-	-	-	1	(36,043)	**-**	
As at 31 March 2018	**3,166,184**	**657,827**	**43,624**	**258,164**	**27,766**	**41**	**45,935**	**4,199,541**	**427,442**
Accumulated Depreciation and Impairment									
As at 31 March 2017	**-**	**(20,578)**	**(24,527)**	**(80,263)**	**(3,227)**	**(1)**	**-**	**(128,596)**	**(11,144)**
Depreciation charge	(29,699)	(15,103)	(4,156)	(11,973)	-	-	-	(60,931)	(9,647)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	29,615	3,178	-	-	-	-	-	32,793	7,103
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	-	
Derecognition - Disposals	84	1,320	25	-	-	-	-	1,429	14
Derecognition - Other	-	-	-	-	-	-	-	-	
Assets reclassified (to)/from Held for Sale and Investment Properties	-	122		-	-	-	-	122	
Other movements in depreciation and impairment	-	-	-	-	-	1	-	1	
As at 31 March 2018	**-**	**(31,061)**	**(28,658)**	**(92,236)**	**(3,227)**	**-**	**-**	**(155,182)**	**(13,674)**
Net Book Value as at 31 March 2018	**3,166,184**	**626,766**	**14,966**	**165,928**	**24,539**	**41**	**45,935**	**4,044,359**	**413,768**

Depreciation

Depreciation is calculated using the following useful economic lives and depreciation rates:

- Council Dwellings – Useful Economic Lives (typically 45–50 years for buildings)
- Other Land and Buildings: Useful Economic lives (typically 20–70 years for buildings)
- Vehicles, Plant, Furniture & Equipment – Useful Economic lives (typically under 10 years)
- Infrastructure – 20-25 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. Council Dwellings valuations were carried out by Wilks, Heads and Eve LLP, whilst all other valuations were carried out internally by Mr Peter Holmes MRICS and Mr Andrew Jeffery MRICS as at 1 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**	**65,929**	**11,409**	**161,564**	**24,539**	**0**	**75,006**	**338,447**
Valued at fair value as at:								
31 March 2019	3,021,427	323,298	-	-	-	11	-	**3,344,736**
31 March 2018	-	103,490	-	-	-	-	-	**103,490**
31 March 2017	-	178,310	-	-	-	30	-	**178,340**
31 March 2016	-	287	-	-	-	-	-	**287**
31 March 2015	-	75	-	-	-	-	-	**75**
Total Cost or Valuation	**3,021,427**	**671,389**	**11,409**	**161,564**	**24,539**	**41**	**75,006**	**3,965,375**

Capital Commitments

As at 31 March 2019, 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 £120m. Similar commitments as at 31 March 2018 were £111m. The commitments are:

Capital Commitments	31 March 2019 *£'000*
Housing Commitments:	
Major Works	48,221
New Builds	58,206
Other Commitments:	
Schools	8,077
Environment & Regeneration	5,111
Total	**119,615**

19. 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:

2017/18 £'000	Investment Properties	2018/19 £'000
(2,072)	Rental income from investment property	(2,480)
537	Direct operating expenses arising from investment property	1,107
(1,535)	**Net (gain)/loss**	**(1,373)**

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:

2017/18 £'000	Movement in fair value of Investment Properties	2018/19 £'000
26,984	**Balance at start of the year**	**31,227**
	Additions	
-	Purchases	-
-	Construction	-
201	Subsequent expenditure	-
(284)	Disposals	-
3,533	Net gains/(losses) from fair value adjustments	2,313
793	Transfers (to)/from Property, Plant and Equipment	(865)
-	to/from Inventories	-
-	to/from Property, Plant and Equipment	-
-	Other changes	-
31,227	**Balance at end of the year**	**32,675**

Fair value measurements

The tables below give an analysis of the fair value measurement of investment properties and surplus assets.

Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2018 £'000	Fair Value Measurements	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000
	31,217	10	**31,227**	Investment Properties		32,663	11	**32,674**
		41	**41**	Surplus assets			41	**41**
-	-	-	0	Assets Held for Sale				**0**
0	**31,217**	**51**	**31,268**	**Fair value as at 31 March**	**0**	**32,663**	**52**	**32,715**

Level 2 fair values for Investment Properties based on the valuation technique of capitalising the existing rent on the lease by the term of years to the next rent review or lease expiry whichever is the earlier. Rental values are derived from comparable evidence, online data and knowledge of the market in Islington.

20. Leases

Council as Lessee

Finance Leases

The council has eighteen assets acquired under such leases carried on the Balance Sheet at the following net amounts:

31 March 2018 £'000	Leased Assets	31 March 2019 £'000
	Property, Plant and Equipment:	
72,978	- Other Land and Buildings	76,985
2,257	- Community Assets	2,257
7,680	Investment Properties	6,477
82,915	**Total**	**85,719**

The table has been restated from the previous year to include leases not previously recognised.

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 2018 £'000	Minimum lease payments	31 March 2019 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
306	- Payable within one year	3
1,062	- Payable after one year	374
1,107	Finance costs payable in future years	941
2,475	**Total minimum lease payments**	**1,318**

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000
Not later than one year	306	3	375	27
Later than one year and not later than five years	643	12	824	106
Later than five years	419	362	1,275	1,185
Total	**1,368**	**377**	**2,474**	**1,318**

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 2018/19 contingent rents payable by the council in respect of finance leases totalled £0.43m (£0.43m in 2017/18).

Operating Leases

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

31 March 2018 £'000	Operating Leases (Lessee)	31 March 2019 £'000
382	Not later than one year	147
694	Later than one year and not later than five years	318
1,318	Later than five years	2
2,394	**Total**	**467**

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 2018 (Restated) £'000	Operating Leases (Lessor)	31 March 2019 £'000
5,799	Not later than one year	6,241
22,691	Later than one year and not later than five years	23,558
36,650	Later than five years	35,020
65,140	**Total**	**64,819**

Prior year figures have been restated following a reassessment of leases

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.

21. 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 xix 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 £ '000	Infra-structure £ '000	Total £ '000
Net Book Value at 1 April 2017	**311,140**	**72,859**	**9,121**	**393,120**
Additions	-	-	-	**0**
Depreciation & Impairment	(7,117)	(1,828)	(702)	**(9,647)**
Revaluation	30,932	-	-	**30,932**
Disposal	(637)	-	-	**(637)**
Other				
Net Book Value at 31 March 2018	**334,318**	**71,031**	**8,419**	**413,768**
Net Book Value at 1 April 2018	**334,318**	**71,031**	**8,419**	**413,768**
Additions	-	-	-	**0**
Depreciation & Impairment	(6,326)	(2,014)	(702)	**(9,042)**
Revaluation	104,762	4,755	-	**109,517**
Disposal	(655)	-	-	**(655)**
Net Book Value at 31 March 2019	**432,099**	**73,772**	**7,717**	**513,588**

Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2017	**(63,816)**	**(71,853)**	**(8,723)**	**(144,392)**
New liability incurred	-	-	-	**0**
Repayments made in year	7,560	2,253	500	**10,313**
Value at 31 March 2018	**(56,256)**	**(69,600)**	**(8,223)**	**(134,079)**
Value at 1 April 2018	**(56,256)**	**(69,600)**	**(8,223)**	**(134,079)**
New liability incurred	-	-	(433)	**(433)**
Repayments made in year	8,333	2,358	533	**11,224**
Value at 31 March 2019	**(47,923)**	**(67,242)**	**(8,123)**	**(123,288)**

The projected payments under the agreements are as follows:

Contracted payments due within:	1 year £ '000	2-5 years £ '000	5-10 years £ '000	10-15 years £ '000	15-20 years £ '000	Over 20 years £ '000
Care Homes						
Liability	289	1,485	2,683	1,475	-	-
Interest	485	1,610	1,185	72	-	-
Service Charges	4,180	17,790	24,856	10,834	-	-
Street Lighting						
Liability	513	3,006	4,170	0	-	-
Interest	735	2,331	1,063	0	-	-
Service Charges	1,477	5,660	6,679	0	-	-
Housing (1)						
Liability	680	2,852	4,338	11,197	-	-
Interest	2,458	8,872	9,282	3,953	-	-
Service Charges	8,735	40,155	62,020	49,134	-	-
Housing (2)						
Liability	8,805	20,050	-	-	-	-
Interest	3,775	3,792	-	-	-	-
Service Charges	19,650	35,485	-	-	-	-
BSF Phase 1						
Liability	1,487	7,052	11,512	14,222	1,390	-
Interest	2,233	7,938	7,113	3,242	87	-
Service Charges	1,686	7,021	10,009	13,357	1,166	-
BSF Phase 2						
Liability	696	3,061	5,658	8,328	8,769	-
Interest	2,492	9,291	9,731	6,549	2,088	-
Service Charges	1,030	4,892	6,897	8,640	7,734	-

22. 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.

2017/18 £'000	Capital Expenditure and Sources of Capital Financing	2018/19 £'000
703,816	**Opening Capital Financing Requirement**	**699,593**
	Capital Investment	
80,887	Property, Plant & Equipment	105,075
9,455	Intangibles / REFCUS / Other	7,478
	Sources of Finance	
(16,458)	Usable Capital Receipts	(21,863)
(23,817)	Capital grants & Other contributions	(21,132)
(41,225)	Major Repairs Reserve	(44,604)
(1,761)	Capital expenditure charged in-year to revenue accounts	(3,193)
	Debt Repayment	
(1,227)	Statutory provision for the repayment of debt	(1,283)
(10,077)	Repayment of PFI / lease liabilities	(10,755)
699,593	**Closing Capital Financing Requirement**	**709,315**
	Explanation of Movements in Year	
4,731	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	(9,288)
(508)	Assets acquired under finance leases	(433)
4,223	**(Increase)/ decrease in Capital Financing Requirement**	**(9,721)**

23. 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'. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to 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 majority of the Council's 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 20
- Private Finance Initiative contracts detailed in Note 21
- 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, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the Council. The financial assets held by the Council during the year are accounted for under the following two classifications:

1) Amortised cost (where cash flows are solely payments of principal and interest and the Council's business model is to collect those cash flow) 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

2) Fair value through other comprehensive income (where cash flows are solely payments of principal and interest and the Council's business model is to both collect those cash flows and sell the instrument; and equity investments that the Council has elected into this category) comprising:

- equity investments in Islington Limited, a wholly owned subsidiary
- minority equity investments in Transform Islington Phase 1 Holdings Limited
- minority equity investments in Transform Islington Phase 2 Holdings Limited
- minority equity investments in Transform Islington Limited

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Balances on fixed term deposits as at 31 March 2019 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.

Financial assets held at amortised cost are shown net of a loss allowance reflecting the statistical likelihood that the borrower or debtor will be unable to meet their contractual commitments to the Council.

Financial Instruments - Balances

The financial assets and financial liabilities disclosed in the Balance Sheet are made up of the following categories of financial instrument:

Categories of Financial Instruments	Long-term 31 March 2018 £'000	Long-term 31 March 2019 £'000	Short-term 31 March 2018 £'000	Short-term 31 March 2019 £'000
Financial Assets				
At amortised cost:				
- Principal	10,696	10,688	122,017	85,016
- Accrued interest			678	466
*- Loss allowance**		(20)		
At fair value through profit & loss:				
*- Equity investments elected FVOCI***		84		
Total investments #	10,696	10,752	122,695	85,482
At amortised cost:				
- Principal			16,663	20,791
Total Cash and Cash Equivalents			16,663	20,791
Loans and receivables:				
- Trade receivables +		9,639	11,641	54,388
- Loss allowance ++		(952)		(9,517)
Included in Debtors##		8,687	11,641	44,871
Total Financial Assets	10,696	19,439	150,999	151,144

* The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £20k

** The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £75k

\+ The 2017/18 comparable figure restated under IFRS 9 on 1st April 2019 is £7,570k for long-term and £46,012k for short-term debtors

++ The 2017/18 comparable figure restated under IFRS 9 on 1st April 2019 is £888k for long-term and £8,237k for short-term debtors

The total short-term investments include £10,482k (2018: £37,695k) representing accrued interest and principal repayments due within 12 months on long-term investments.

The debtors lines on the Balance Sheet include £20,866k short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions

Categories of Financial Instruments	Long-term 31 March 2018 £'000	Long-term 31 March 2019 £'000	Short-term 31 March 2018 £'000	Short-term 31 March 2019 £'000
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	246,222	266,109	64,112	27,112
- Accrued interest			3,235	3,263
Total borrowings *	246,222	266,109	67,347	30,375
Loans at amortised cost:				
- Bank overdrawn			22,458	24,523
Total Cash Overdrawn			22,458	24,523
Liabilities at amortised cost:				
- PFI and finance lease liabilities	123,899	111,188	11,548	12,474
- Other	-			
Total Other Long Term Liabilities	123,899	111,188	11,548	12,474
Liabilities at amortised cost:				
- Trade payables#			20,858	40,528
Included in Creditors**	0		20,858	40,528
Total Financial Liabilities	370,121	377,297	122,211	107,900

The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £36,492k

* The total short-term borrowing includes £14,375k (2018: £15,347k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The creditors lines on the Balance Sheet include £79,002k (2018: £105,855k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Soft Loans

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2018/19 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £252k, gym membership loans £95k and home computer loans £535k, whilst other minor soft loans total £27k and are carried at nominal value in the Balance Sheet as they are due within ten months, 12 months and two years, respectively; thus the effect on the accounts is deemed to be immaterial.

Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the following investments in equity instruments at fair value through other comprehensive income because they are long-term strategic holdings and changes in their fair value are not considered to be part of the Council's annual financial performance.

Equity Instruments at fair value through other comprehensive income	Fair Value 31 March 2019 £000s	Fair Value 31 March 2018 £000s	Dividends 2018/19 £000s	Dividends 2017/18 £000s
Islington Limited	-	-	-	-
Transform Islington Phase 1 Holdings Limited	-	-	3.5	9.0
Transform Islington Phase 2 Holdings Limited	-	-	11.0	10.3
Transform Islington Limited	83.7	75.1	1.6	-
Total	**83.7**	**75.1**	**16.1**	**19.3**

*Fair values not shown as the net assets on the respective companies' balance sheets are either nil or negative

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	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	2018/19 Total	2017/18 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(29,355)	-	-	(29,355)	(27,393)
Impairment losses*	-	(2,320)	-	(2,320)	-
Interest payable and similar charges	**(29,355)**	**(2,320)**	**-**	**(31,675)**	**(27,393)**
Interest income	-	838	-	838	1,060
Dividend income	-	-	16	16	22
Impairment loss reversals	-	38	-	38	-
Interest and investment income	**-**	**876**	**16**	**892**	**1,082**
Net impact on surplus/deficit on provision of services	**(29,355)**	**(1,444)**	**16**	**(30,783)**	**(26,311)**
Gains on revaluation**	-	-	9	9	-
Impact on other comprehensive income	**-**	**-**	**9**	**9**	**-**
Net Gain/(Loss) for the Year	**(29,355)**	**(1,444)**	**25**	**(30,774)**	**(26,311)**

* The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £2,289k

** The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £21k

Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, the fair value is taken from the market price. However, the fair values of the instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, using the following methods and assumptions:

- Shares in Islington Limited, Transform Islington Limited, Transform Islington Holdings Phase 1 Limited and Transform Islington Holdings Phase 2 Limited have been valued from the company's balance sheet net assets.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2019, 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.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

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.

Fair value comparison of financial liabilities	**Fair Value Level**	**Balance Sheet** *31 March 2018* *£000s*	**Fair Value** *31 March 2018* *£000s*	**Balance Sheet** *31 March 2019* *£000s*	**Fair Value** *31 March 2019* *£000s*
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	217,426	293,147	216,312	290,862
Other long-term loans	2	44,066	45,142	64,166	62,190
Lease payables and PFI liabilities	3	135,447	205,414	123,662	190,424
Total		**396,939**	**543,703**	**404,140**	**543,476**
Liabilities for which fair value is not disclosed *		95,393		40,529	
Total Financial Liabilities		**492,332**		**444,669**	
Recorded on balance sheet as:					
Short-term creditors		32,406		12,474	
Short-term borrowing		67,347		30,375	
Cash and bank overdrawn		22,458		24,523	
Long-term borrowing		246,222		266,109	
Other long-term liabilities		123,899		111,188	
Total Financial Liabilities		**492,332**		**444,669**	

* The fair value of short-term financial liabilities held at amortised cost, including trade payables, is assumed to approximate to the carrying amount.

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.

Fair value comparison of financial assets	Fair Value Level	Balance Sheet 31 March 2018 £000s	Fair Value 31 March 2018 £000s	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s
Financial assets held at fair value:					
Shares in unlisted companies*	3			84	
Financial assets held at amortised cost:					
Long-term loans to local authorities	3	47,000	47,311	10,000	10,053
Long-term loans to companies	3	753	816	748	785
TOTAL		**47,753**	**48,127**	**10,832**	**10,922**
Assets for which fair value is not disclosed **		113,279		105,402	
TOTAL FINANCIAL ASSETS		**161,032**		**116,234**	
Recorded on balance sheet as:					
Long-term investments		10,696		10,752	
Short-term debtors		11,641			
Short-term investments		122,695		85,482	
Cash and cash equivalents		16,000		20,000	
TOTAL FINANCIAL ASSETS		**161,032**		**116,234**	

* The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £75k

** The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount

24. Nature and Extent of Risks Arising from Financial Instruments

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with 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 Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

The main risks covered are:

- *Credit Risk:* The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- *Liquidity Risk:* The possibility that the Council might not have the cash available to make contracted payments on time.

Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices

Credit Risk

Treasury Investments

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A+, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a period of 6months applies. No more than £50m in total can be invested for a period longer than one year.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio by credit rating and remaining time to maturity:

Credit Rating	31 March 2019		31 March 2018	
	Long-term £'000	Short-term £'000	Long-term £'000	Short-term £'000
AA+	10,000	105,404	-	107,639
AA	-	-	-	16,000
AA-	-	-	-	15,000
Unrated local authorities	-	-	10,000	-
Unrated private companies (net of loss allowance)	668	79	696	57
Total	**10,668**	**105,483**	**10,612**	**138,696**
Credit risk not applicable *	84	-	84	-
Total Investments	**10,752**	**105,483**	**10,696**	**138,696**

*Credit risk is not applicable to shareholdings and pooled funds where the Council has no contractual right to receive any sum of money

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies, multiplied by 120% to adjust for current and forecast economic conditions. A two-year delay in cash flows is assumed to arise in the event of default. At 31st March 2019, £21k of loss allowances related to treasury investments.

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.

Receivables are collectively assessed for credit risk in the following groupings:

Loss Allowances	Range of allowances set aside	31 March 2018 Gross receivable	31 March 2018 Loss allowance	31 March 2019 Gross receivable	31 March 2019 Loss allowance
Public Sector Debtors					
Other Public Sector Debtors	0% - 100%	11,388	(318)	13,990	(514)
LBI Pension Fund	0%	11,851		2,874	
Non-Public Sector Debtors					
Residential & Domiciliary Care	49%	5,562	(2,398)	5,255	(2,352)
Leaseholders: Major Works	10.5% - 95%	17,573	(1,132)	18,559	(1,229)
Housing Rents	0% - 95%	8,643	(4,425)	10,153	(5,491)
Other Non-Public Sector Debtors	0% - 100%	7,690	(852)	13,196	(883)
Total		**62,707**	**(9,125)**	**64,027**	**(10,469)**

Receivables are written off to the Surplus or Deficit on the Provision of Services when they are deemed irrecoverable.

The authority does not generally allow credit for customers, such that £6.3m of the £14.4m balance is past 30 days from invoice date. The remaining £8.1m 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 2018 £'000	31 March 2019 £'000
Less than three months	6,365	11,480
Three to six months	479	745
Six months to one year	912	611
More than one year	1,091	1,630
Total	8,847	14,466

Loans, Financial Guarantees and Loan Commitments

In furtherance of the Council's service objectives, it has lent money £50k to Islington Limited a fully owned subsidiary and £717k (including accrued interest) to three private companies responsible in managing schools under the BSF. All loans were issued at market rates.

The amounts recognised on the balance sheet, and the Council's total exposure to credit risk from these instruments are:

Borrower	Exposure type	Risk exposure 31 March 2019 £'000
Buildings Schools for the Future (BSF) private companies	Loans at market rates	717
-Transform Islington Phase 1 Holdings Ltd		
-Transform Islington Phase 2 Holdings Ltd		
-Transform Islington Ltd		
Islington Ltd (iCo)	Loans at market rates	50
Total		**767**

Loss allowances on trade and lease receivables and contract assets have been calculated by reference to the Council's historic experience of default and adjusted for current and forecast economic conditions.

A reconciliation of opening to closing loss allowances on loans for service purposes is as follows:

Reconciliation of loss allowances	12-month expected credit losses	Lifetime expected credit losses Simplified approach for receivables	Total loss allowance - service loans
Opening allowance 1 April 2018	(21)	(8,237)	(8,258)
Change in risk	-	(1,343)	(1,343)
Closing allowance 31 March 2019	**(21)**	**(9,580)**	**(9,601)**

Liquidity Risk

The Council has ready access to borrowing at favourable rates from 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. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the Council's borrowing matures in any one financial year.

The maturity analysis of the financial instruments is as follows:

Liquidity Risk	PWLB		Local Authorities		Other		Total	
	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	1,112	1,112	53,000	10,000	10,000	16,000	64,112	27,112
Between one and two years	1,112	-	10,000	14,500	-	10,000	11,112	24,500
Between two and five years	13,003	21,065	22,500	28,000	-	1,000	35,503	50,065
Between five and ten years	29,733	23,890	-	-	-	-	29,733	23,890
Between ten and twenty years	65,898	63,679	-	-	-	-	65,898	63,679
More than twenty years	103,976	103,976	-	-	-	-	103,976	103,976
Total	**214,834**	**213,722**	**85,500**	**52,500**	**10,000**	**27,000**	**310,334**	**293,222**
Accrued Interest *							3,225	3,263
#Trade creditors *							20,858	40,528
Cash Overdrawn *							14,208	24,452
Total Carrying Amount							**348,625**	**361,465**

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

The 2017/18 comparable figure restated as at 1st April 2019 as per IFRS 9 is £36,492k

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 risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The council is exposed to risks arising from movements in interest rates. The Treasury Management and Investment Strategy aims to mitigate these risks by setting an upper limit of £134m on external debt that can be subject to variable interest rates. As at 31st March 2019, the whole debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	200
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	200
Share of overall impact debited/credited to HRA	1,177
Decrease in fair value of fixed rate investments*	(886)
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings/liabilities*	(37,827)

*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.

Price Risk

The council has insignificant investment in equity shares and therefore is not subject to material 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.

25. Short Term Creditors

31 March 2018 (Restated) £'000	Short-Term Creditors	31 March 2019 £'000
	Public Sector Creditors	
39,687	GLA/MHCLG: Council Tax and Business Rates	24,802
6,192	HMRC: Tax	6,249
9,580	DWP: Housing Benefit Subsidy	2,781
17,266	MHCLG: Pooling of Capital Receipts	3,549
8,515	Other Public Sector Creditors	13,688
81,240	Total Public Sector Creditors	51,069
	Non-Public Sector Creditors	
8,762	Council Tax and Business Rates	15,013
11,548	Short-term lease liabilities	12,474
7,246	Receipts in Advance	8,195
5,574	Accumulated Absences	5,939
8,123	Capital Creditors	4,704
19,854	Other Creditors	22,136
61,107	Total Non-Public Sector Creditors	68,461
142,347	**Total Short-Term Creditors**	**119,530**

The Code now allows local authorities more flexibility in the way they report creditor balances. Prior year figures have been restated to better reflect the nature of the Council's creditors.

26. Debtors

31 March 2018 Gross Debt (Restated) £'000	31 March 2018 Impairments for Doubtful Debt (Restated) £'000	31 March 2018 Net Debt (Restated) £'000	Debtors	31 March 2019 Gross Debt £'000	31 March 2019 Impairments for Doubtful Debt £'000	31 March 2019 Net Debt £'000
			Public Sector Debtors			
9,125	-	9,125	HMRC: VAT	9,718	-	9,718
11,851	-	11,851	LBI Pension Fund	2,874	-	2,874
17,783	-	17,783	Pension Fund Prepayments	86	-	86
11,388	(318)	11,070	Other Public Sector Debtors	13,990	(514)	13,476
			Non-Public Sector Debtors			
7,387	(5,670)	1,717	Non-Domestic Rates	12,454	(10,784)	1,670
23,085	(20,973)	2,112	Council Tax	24,653	(22,914)	1,739
15,518	(13,493)	2,025	Housing Benefit Overpayments	15,538	(13,652)	1,886
16,254	(14,911)	1,343	Parking Fines	17,283	(15,604)	1,679
5,562	(2,398)	3,164	Residential & Domiciliary Care	5,255	(2,352)	2,903
17,573	(1,132)	16,441	Leaseholders: Major Works/Service Charges	18,559	(1,229)	17,330
8,643	(4,425)	4,218	Housing Rents	10,153	(5,491)	4,662
3,645	-	3,645	Section 106 / CIL	3,543	-	3,543
1,422	-	1,422	Prepayments	545	-	545
7,690	(852)	6,838	Other Non-Public Sector Debtors	13,196	(883)	12,313
156,926	**(64,172)**	**92,754**	**Total Debtors**	**147,847**	**(73,423)**	**74,424**
139,605	(63,284)	76,321	Short term debtors	138,208	(72,471)	65,737
17,321	(888)	16,433	Long term debtors*	9,639	(952)	8,687

*All long term debtors in 2018/19 relate to leaseholder contributions to major works
The Code now allows local authorities more flexibility in the way they report debtor balances. Prior year figures have been restated to better reflect the nature of the Council's debtors.

27. Provisions

Provisions 2018-19	Insurance	Business Rate Appeals	Social Services Charges	Disrepair claims	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	**11,649**	**6,403**	**1,095**	**474**	**611**	**20,232**
Additional provisions made in 2018/19	2,396	17,210	(457)	672	726	**20,546**
Amounts used in 2018/19	(124)	(7,116)	(14)	(409)	(350)	**(8,013)**
Unused amounts reversed in 2018/19	-	-	-	(205)	(161)	**(366)**
Balance at 31 March 2019	**13,922**	**16,496**	**624**	**532**	**826**	**32,399**

Analysis of Balance at 31 March 2019						
Settled within 12 months	3,341	7,359	-	532	826	**12,058**
More than 12 months	10,581	9,137	623	-	-	**20,341**
	13,922	**16,496**	**623**	**532**	**826**	**32,399**

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, and the timing of any future payments, is determined by the Valuations Office and is not within the council's control.

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 specific limit 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 external professional advice on the value of insurance claims which will be paid from the self–funding arrangements. The following table summarises the categories of claims within the total funding requirement estimated by the Council's External Fund Advisors set against the total insurance fund.

Insurance Fund	£'000
Employers' Liability	1,379
Public Liability/Tree Roots	7,215
Motor	645
Property and Miscellaneous	3,397
Adjustment for Aggregate Breaches	(996)
MMI Claw back	2,051
Pre-1992 Risk Issues	2,781
Total Funding Requirement as at 31st March 2019	**16,472**
Insurance Fund	(13,922)
Imprest Account	(2,550)
Total Insurance Funds	**(16,472)**
Estimated Insurance Fund (Surplus)/Deficit as at 31st March 2019	**-**

28. 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 2018/19.

31 Mar 2018 *£'000*	Earmarked Reserves	31 Mar 2019 *£'000*
	General Fund	
4,655	Invest to Save	2,810
13,966	Services Specific (Corporate)	21,920
13,467	Capital Reserve	3,279
1,093	Cemetery Trading Account	1,063
7,460	Housing Benefit Reserve	7,999
3,085	BSF PFI 1 Reserve	4,184
2,778	Contingency Reserve	-
3,190	CIL Neighbourhood Reserve	3,769
4,967	S106 Reserve	-
6,148	Transformation Reserve	10,448
4,250	NNDR Smoothing Reserve	13,521
363	Street Market Reserves	579
65,422	**General Fund Total**	**69,572**
	HRA	
5,510	PFI - Housing PFI I	5,510
1,383	HRA Tenants' H&HW r-f Reserve	1,575
55,517	HRA Risk Equalisation Reserve	70,589
62,410	**HRA Total**	**77,674**

Invest to Save: one-off funding allocated in previous years that will help to deliver ongoing revenue savings.

PFI Smoothing Reserves (BSF PFI 1 and Housing PFI 1): The annual costs of PFI schemes fluctuate over the lifecycle of the schemes. This earmarked reserve helps to smooth the budgetary impact of PFI costs across financial years.

Services Specific: to carry forward revenue budgets between financial years where the profile of expenditure spans more than one financial year.

Capital: revenue funding towards 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.

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

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.

Community Infrastructure Levy (CIL) Neighbourhood Element: to fund CIL funded schemes in future financial years.

Transformation: to provide up-front investment for the delivery of transformational revenue savings over the medium-term, where this investment cannot be funded from within existing departmental budgets or one-off resources.

NNDR Smoothing Reserve: to help smooth the budgetary impact of risks around the Council's retained business rates income.

HRA Tenants' Heating and Hot Water: to allow us to manage a stable tenant charging policy by insulating tenants from the volatility of the gas market.

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

HRA Revaluation Smoothing: to mitigate the impact of fluctuations in the valuation of HRA assets.

9. Unusable Reserves

31 March 2018 £'000	Unusable Reserves	31 March 2019 £'000
1,121,511	Revaluation Reserve	1,005,028
2,254,889	Capital Adjustment Account	2,284,074
-	Financial Instruments Adjustment Account	84
(802,883)	Pensions Reserve	(925,265)
5,217	Collection Fund Adjustment Account	8,273
(5,574)	Accumulated Absences Account	(5,939)
2,573,158	**Total Unusable Reserves**	**2,366,253**

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.

2017/18 £'000	Store of unrealised gains on revaluation of non current assets - Revaluation Reserve	2018/19 £'000
(983,011)	**Balance as at 1 April**	**(1,121,511)**
(228,448)	Gains on revaluations	(63,797)
11,803	Less Depreciation on revalued amounts	12,079
52,652	Less revaluation losses and impairments w ritten off to previous gains	160,195
25,493	Less gains w ritten out for disposed assets	8,006
(1,121,511)	**Balance as at 31 March**	**(1,005,028)**

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 Capital Adjustment 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 Capital Adjustment Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.

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

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

Note 14 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2017/18 £'000	Capital Adjustment Account	2018/19 £'000
(2,241,120)	**Balance as at 31 March**	**(2,254,889)**
(16,458)	Capital Expenditure Financed from Usable Capital Receipts	(21,863)
(41,225)	Capital Expenditure Financed from the Major Repairs Reserve	(44,604)
(1,761)	Capital Expenditure Financed from Revenue Resources	(3,193)
(23,587)	Capital Expenditure funded by Grant	(21,133)
9,025	REFCUS funded by Capital Receipts	7,477
7,831	Gains / Losses on revaluation of non-current assets	14,049
-	Impairments of non-current assets	2,553
60,931	Depreciation of PPE non-current Assets	59,055
(1,227)	Minimum Revenue Provision	(1,283)
(10,077)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(10,716)
(25,495)	Write out of Gains relating to Revalued Disposed Assets	(8,006)
54,054	Current Value of Disposed Assets	12,871
(11,804)	Write out of depreciation on revalued amounts (HCA)	(12,079)
(3,533)	Gains and losses on Fair Value of Investment Properties	(2,313)
1	Change in Fair Value of Investments	-
(10,444)	Historic HRA Non dwellings Revaluation Gains written out	-
(13,769)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(29,185)**
(2,254,889)	**Balance as at 31 March**	**(2,284,074)**

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.

2017/18 £'000	Financial Instruments Revaluation Reserve	2018/19 £'000
	Balance as at 1 April	**(75)**
	Upward revaluation of investments	(9)
	Balance as at 31 March	**(84)**

Loans were repaid in 2006/07 and the related discount for early repayment of the loan was transferred to the Financial Instruments Adjustments Account (FIAA). In subsequent years, the balance on the FIAA has been amortised through the Movement in Reserves Statement (MIRS) and Movement on Housing Revenue Account Statement (MHRAS) in accordance with statutory provisions. The remaining balance of £3k was fully amortised in 2016/17.

d) 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.

2017/18 £'000	Pensions Reserve	2018/19 £'000
(868,422)	**Balance at 1 April**	**(802,883)**
107,398	Actuarial gains or losses on pensions assets and liabilities	(61,473)
(76,565)	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	(96,700)
34,706	Employer's pensions contributions and direct payments to pensioners payable in the year	35,791
(802,883)	**Balance at 31 March**	**(925,265)**

e) 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.

2017/18			Collection Fund Adjustment Account	2018/19		
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	Total
£'000	£'000	£'000		£'000	£'000	£'000
2,478	1,907	4,385	**Balance at 1 April**	397	4,819	5,217
(2,184)	(1,860)	(4,044)	Contribution to General Fund from previous year's (surplus) / deficit	(379)	(3,850)	(4,229)
103	4,772	4,876	Current year's collection fund surplus / (deficit)	768	6,517	7,285
397	**4,819**	**5,217**	**Balance at 31 March**	**786**	**7,487**	**8,273**

f) 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 as at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2017/18		Accumulated Absences Account	2018/19	
£'000	£'000		£'000	£'000
	6,190	**Balance at 1 April**		**5,574**
		Business combinations		
(6,190)		Settlement or cancellation of accrual made at the end of the preceding year	(5,574)	
5,574		Amounts accrued at the end of the current year	5,939	
	(616)	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		365
	5,574	**Balance at 31 March**		**5,939**

30. Cash and Cash Equivalents

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

31 March 2018 £'000	Cash and Cash Equivalents	31 March 2019 £'000
(22,458)	Cash and Bank Overdrawn	(24,523)
16,000	Liquid investments	20,000
72	Cash held by the authority	90
591	Bank accounts	701
16,663	Cash and Cash Equivalents	20,791
(5,795)	**Total Cash and Cash Equivalents**	**(3,732)**

Further information on liquid investments is included in note 23.

31. Cash Flow Statement – Operating Activities

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

2017/18 £'000	Operating Activities Adjustments	2018/19 £'000
(56,563)	**Net Surplus or (Deficit) on the Provision of Services**	**(49,164)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
60,930	Depreciation	59,053
7,834	Impairment and downward valuations	16,603
26,626	Increase/Decrease in Creditors	(354)
(23,739)	Increase/Decrease in Debtors	(6,589)
91	Increase/Decrease in Inventories	(358)
41,859	Movement in Pension Liability	69,829
818	Increase/(decrease) in impairment for bad debts	64
54,054	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	12,871
(3,533)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	9,874
164,940	**Total**	**160,993**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(32,000)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(24,608)
9	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	6
(24,866)	Any other items for which the cash effects are investing or financing cash flows	(18,958)
(56,857)	**Total**	**(43,560)**
51,520	**Net Cash Flows from Operating Activities**	**68,269**

The cash flows for operating activities include the following items:

2017/18 £'000	Operating Activities (Interest)	2018/19 £'000
1,278	Interest Received	1,106
(30,248)	Interest Paid	(13,404)

32. Cash Flow Statement – Investing Activities

2017/18 £'000	Investing Activities	2018/19 £'000
(79,700)	Purchase of property, plant and equipment, investment property and intangible assets	(108,919)
(42,000)	Purchase of short-term and long-term investments	-
(14,476)	Other payments for investing activities	(5,221)
31,657	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	24,364
-	Proceeds from short-term and long term investments	37,000
27,890	Other receipts from investing activities	32,718
(76,629)	**Net cash flows from investing activities**	**(20,058)**

33. Cash Flow Statement – Financing Activities

2017/18 £'000	Financing Activities	2018/19 £'000
148,500	Cash receipts of short- and long-term borrowing	131,000
(10,563)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(11,348)
(119,942)	Repayments of short- and long- term borrowing	(148,112)
10,914	Other payments for financing activities	(17,688)
28,909	**Net cash flows from financing activities**	**(46,148)**

Reconciliation of Liabilities arising from Financing Activities	31-Mar-18 £'000	Financing Cash Flows £'000	Non Cash Changes £'000	31-Mar-19 £'000
Long-term borrowings	(246,222)	(15,653)	(4,234)	(266,109)
Short-term borrowings	(67,347)	36,000	972	(30,375)
Lease Liabilities	(1,643)	122	859	(662)
On Balance Sheet PFI Liabilities	(133,794)	11,226	(433)	(123,001)
Total Liabilities from Financing Activities	(449,006)	31,695	(2,836)	(420,147)

34. Contingent Liabilities and Assets

Legal claims pending settlement

The Council is involved in 13 outstanding employment tribunal cases relating mainly to claims of unfair dismissal and 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 £1.5m.

The Council has potential liability for damages and costs arising out of ongoing disrepair claims estimated at £0.5m. There is an ongoing building construction claim with a potential liability of approximately £0.6m.

In addition the Council is involved in a number of historic child abuse and other adult cases which are being dealt with by its' insurers.

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.

Implementation of a number of the housing new build schemes will give rise to a liability to compensate third parties in respect of interference with rights of light and business displacement

Termination Benefits

The council has had to make £225m of savings between 2011 and 2019 to balance its budget and the 2019/20 budget included savings of £13.8m to help ensure medium term financial sustainability (£6.6m to cover cuts in government funding and £7.2m to cover unavoidable cost increases due to inflation and pay restructuring, demographic factors, and service cost pressures). Following the 2019/20 local government finance settlement and forecast funding allocations for future years to 2021/22, the council is expecting to have to make total savings of £50m in the three years to 2022. The medium term situation remains uncertain with the risk of further cuts after 2020. The gradual phasing out of revenue support grant means the council will have to rely more on retained business rates, council tax and other income alone.
A significant number of posts have been cut from the council workforce and the financial impact of these is set out in Note 9. Some further cuts to the council workforce may take place. 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 for a number of years used an earmarked reserve as a prudent measure to meet termination costs that realise budget savings. This reserve is now exhausted, and there are not sufficient surplus funds to replenish it. The process for managing future termination costs is for service departments to meet the costs as and when they occur.

Contractual claims pending

None pending.

Guarantees given

The council has given a guarantee to its trading subsidiary, ICo Limited. In ICo Limited’s audited financial statements, for 2017/18, the company’s net liabilities as at 31 March 2018 totalled £106k.

Contingent Assets

None known.

35. Events After the Balance Sheet Date

The Statement of Accounts 2018/19 was authorised for issue on 29th July 2019 by Mohammed Sajid, the Deputy s151 Officer. 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 as at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The Chief Executive left the Council in April 2019, and the Service Director Financial & Asset Management (Section 151 officer) left in July 2019.

36. 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.

The following disclosure notes have taken into account the McCloud judgement.

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 2018	31 March 2019	31 March 2018	31 March 2019
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	53,912	52,326		
Past service costs including curtailments	1,940	23,545		
Settlements				
Financing and Investment Income and Expenditure				
Net Interest Expense	19,328	19,415	1,385	1,413
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**75,180**	**95,286**	**1,385**	**1,413**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(21,901)	(55,218)		
Actuarial gains and losses arising from changes in demographic assumptions				
Actuarial gains and losses arising from changes in financial assumptions	(86,339)	114,175	(1,089)	1,307
Changes in effect of Asset Ceiling	1,931	1,209		
Other (if applicable)				
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(31,129)**	**155,452**	**296**	**2,720**
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	(75,180)	(95,286)	(1,385)	(1,413)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	31,339	32,405	3,367	3,386
Retirement Benefits Payable to Pensioners			(3,367)	(3,386)

*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		
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits		Total
	31 March 18	31 March 19	31 March 18	31 March 19	31 March 18	31 March 19	**31 March 19**
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
Present Value of defined benefit obligation	(1,992,451)	(2,191,137)	(43,833)	(44,613)	(54,117)	(53,451)	**(2,289,201)**
Fair Value of Plan Assets	1,243,169	1,327,542	46,280	48,445	-	-	**1,375,987**
Impact of Asset Ceiling			(1,931)	(3,188)			**(3,188)**
Net liability	**(749,282)**	**(863,595)**	**516**	**644**	**(57,188)**	**(53,451)**	**(916,402)**

The total net liability of £813m 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 2018/19	Funded Liabilities		Unfunded Liabilities
	Pension Fund	Fund Authority	Benefits
	£'000	*£'000*	*£'000*
Balance as at 1 April 2018	**1,992,451**	**43,833**	**54,117**
Current service costs	50,975	145	
Interest cost	53,240	1,065	1,413
Contributions by scheme participants	11,316	26	
Remeasurement (gains) and losses:			
Actuarial gains and losses arising from changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	112,125	2,050	1,307
Other (if applicable)			
Past service costs	23,002		
Losses/(gains) on curtailment	543		
Liabilities assumed on entity combinations			
Benefits paid	(52,515)	(2,506)	(3,386)
Liabilities extinguished on settlements			
Balance as at 31 March 2019	**2,191,137**	**44,613**	**53,451**

Reconciliation of present value of the scheme liabilities 2017/18	Funded Liabilities Islington Council Pension Fund £'000	 London Pensions Fund Authority £'000	Unfunded Liabilities Discretionary Benefits £'000
Balance as at 1 April 2017	**2,008,009**	**46,910**	**57,188**
Current service costs	52,596	158	
Interest cost	49,757	1,006	1,385
Contributions by scheme participants	10,909	26	
Remeasurement (gains) and losses:			
Actuarial gains and losses arising from changes in demographic assumptions			
Actuarial gains and losses arising from changes in financial assumptions	(84,459)	(1,880)	(1,089)
Other (if applicable)			
Past service costs	507		
Losses/(gains) on curtailment	1,433		
Liabilities assumed on entity combinations			
Benefits paid	(46,301)	(2,387)	(3,367)
Liabilities extinguished on settlements			
Balance as at 31 March 2018	**1,992,451**	**43,833**	**54,117**

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 2018/19	Funded Liabilities Pension Fund £'000	 Fund Authority £'000	Unfunded Liabilities Benefits £'000
Opening Fair Value of Scheme Assets as at 1 April 2018	**1,243,169**	**46,280**	**0**
Interest Income	33,811	1,127	
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	51,718	3,500	
Other (if applicable)			
Business combinations			
Settlements			
Contributions by the employer	41,190	78	3,386
Contributions by scheme participants	11,315	26	
Benefits paid	(52,515)	(2,506)	(3,386)
Administration expenses	(1,146)	(60)	
Closing Fair Value of Scheme Assets as at 31 March 2019	**1,327,542**	**48,445**	**0**

Reconciliation of the Movements in the Fair Value of Scheme Assets 2017/18	Funded Liabilities Islington Council Pension Fund	Funded Liabilities London Pension Fund Authority	Unfunded Liabilities Discretionary Benefits
	£'000	£'000	£'000
Opening Fair Value of Scheme Assets as at 1 April 2017	**1,196,943**	**46,742**	**0**
Interest Income	30,432	1,003	
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	21,024	877	
Other (if applicable)			
Business combinations			
Settlements			
Contributions by the employer	31,259	80	3,367
Contributions by scheme participants	10,909	26	
Benefits paid	(46,301)	(2,387)	(3,367)
Administration expenses	(1,097)	(61)	
Closing Fair Value of Scheme Assets as at 31 March 2018	**1,243,169**	**46,280**	**0**

Reconciliation of Asset Ceiling

The asset ceiling is the present value of any future cash savings of not having to contribute to the scheme as it is in surplus. The actuary has reduced the surplus on the LPFA scheme to the asset ceiling, and the effect is shown in the table below. The asset ceiling has been determined by the actuary by taking the total projected current service cost over the period of expected remaining active membership of the Fund, less any employer contributions certified to be paid until 31 March 2020, discounted at the IAS19 discount rate as at 31 March 2019.

Reconciliation of Asset Ceiling 2018/19	London Pension Fund Authority
	£'000
Opening impact of Asset Ceiling as at 1st April 2018	**(1,931)**
Interest on Asset Ceiling	(48)
Actuarial (loss) gain	(1,209)
Closing impact of Asset Ceiling as at 31st March 2019	**(3,188)**

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 March 2018 £000	31 March 2019 £000
Equities			
UK quoted	Y	198,938	213,764
Private equity	N	24,867	26,554
Global - North America	Y	223,806	212,436
Global - Europe	Y	111,903	151,360
Global - Japan	Y	24,867	26,554
Global - Pacific (ex Japan)	Y	37,301	39,832
Global - Emerging / Other	Y	87,036	79,663
Sub-total equities		**708,718**	**750,163**
Bonds			
UK other	Y	236,239	201,814
Sub-total bonds		**236,239**	**201,814**
Property			
UK	Y	161,637	237,662
Overseas	N	12,434	21,244
Sub-total property		**174,071**	**258,906**
Alternatives			
Class 1	Y	**124,337**	**110,201**
Cash			
Cash accounts	N		6,639
Sub-total cash			
Total assets		**1,243,365**	**1,327,723**

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets 31 March 2018 £000	31 March 2019 £000
Equities			
Global	Y	20,546	19,475
Private equity	N	4,905	4,893
Sub-total equities		**25,451**	**24,368**
Bonds			
Alternative debt	N	2,267	
Total return quoted	Y	5,137	6,782
Total return unquoted	N	2,036	
Investment funds and unit trusts quoted	Y	926	
Fixed Income	Y		2,277
Sub-total bonds		**10,366**	**9,059**
Alternatives			
Infrastructure	N	2,036	2,907
Property funds	N	3,332	4,554
Cash	Y	9,486	3,585
Cash	N	(4,396)	145
Credit	N		3,827
Sub-total alternatives		**10,458**	**15,018**
Total assets		**46,275**	**48,445**

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 and Barnett Waddingham, independent firms of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers Pension Scheme	
	31 March 18	31 March 19	31 March 18	31 March 19	31 March 18	31 March 19
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	23	23.1	20.5	20.6	23	23.1
Women	26.2	26.3	23.6	23.7	26.2	26.3
Longevity at 65 for future pensioners (in years):						
Men	25.2	25.3	22.9	23.0	0.0	0.0
Women	28.5	28.6	25.9	26.0	0.0	0.0
Rate of inflation	2.2%	2.3%	2.4%	2.5%	2.4%	2.3%
Rate of increase in salaries	3.7%	3.8%	3.9%	4.0%	0.0%	0.0%
Rate of increase in pensions	2.3%	2.4%	2.4%	2.5%	2.4%	2.4%
Rate of discounting scheme liabilities	2.7%	2.8%	2.5%	2.3%	2.7%	2.7%

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 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 council expects to pay a total of £26.4m in contributions to the LGPS and LPFA schemes in 2019/20.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 18 years in 2018/19 (18 years in 2017/18), and within LPFA is 12 years in 2018/19 (12 years in 2017/18).

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 prices risk by observing the potential market movement on the riskier assets and possible change in valuation.
- Currency risk. Overseas equities held by the Fund are currently 50-75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge.
- Other risks.
    - Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.
    - There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes.

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

As at 31 March 2019, the council owed LGPS £0.3m and LPFA £32k in contributions and pension strain.

37. 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 2018/19 the council paid £8m to Teacher's Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2017/18 were £8.7m and 16.48%, respectively. Contributions of £1m remained payable at year-end. The contributions due to be paid in the next financial year are estimated to be £10m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2018/19 these amounted to £0.8m (£0.8m in 2017/18).

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.

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 2018/19, £118k was payable by the council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2017/18 were £136k and 14.38%, respectively.

38. Grant Income

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

Income from Grants, Contributions and Donations	2017/18 (Restated) £'000	2018/19 £'000
Credited to Taxation and Non-Specific Grant Income		
Revenue Support Grant	40,818	-
New Homes Bonus	11,973	6,176
Education Services Grant	610	-
Business Rates Relief Grant	4,490	7,485
Capital Grants	24,846	18,958
Other Non-specific Grants	7,799	4,078
Total non-specific grants	**90,536**	**36,697**
Credited to Services		
Dedicated Schools Grant	153,232	147,478
Housing Benefit Subsidy	193,649	186,334
Public Health Grant	26,607	25,923
Private Finance Initiative	32,907	32,907
Pupil Premium Grant	12,793	11,461
Additional Better Care Fund	6,070	3,680
Improved Better Care Fund	-	6,478
Asylum Seeker Grant	2,207	1,407
Flexible Homelessness	2,064	2,323
Sixth Form Funding	3,685	2,978
Other Grants and Contributions	19,169	20,912
Total specific grants	**452,383**	**441,881**
Total Grant and Contributions	**542,919**	**478,578**

In 2017/18 the Council received a top-up grant from MHCLG in respect of its business rates. In 2018/19, the Council changed from a top up authority to a tariff authority and rather than receiving a grant made a tariff payment to MHCLG. Both top up grant and tariffs have now been included within the figure for business rates income (see Note 11) and prior year figures restated in this note.

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 March 2018 £'000	Grant Balances	31 March 2019 £'000
	Grants Receipts in Advance - Short Term	
	Revenue Grants	
(1,560)	Dedicated Schools Grant	(3,780)
(699)	Other government grants balances	(902)
(99)	Other contributions	(178)
(2,358)	**Total**	**(4,860)**
	Capital Grants	
(1,278)	Government grants	(495)
(8,500)	s106 contributions	(7,324)
(48)	Third party contributions	(3)
(9,826)	**Total**	**(7,822)**
	Grants Receipts in Advance - Long Term	
	Capital Grants	
(350)	Government grants	(855)
(23,525)	s106 contributions	(25,796)
(23,875)	**Total**	**(26,651)**

39. Dedicated Schools Grant

The council's expenditure on schools is funded primarily by the Dedicated Schools Grant (DSG) provided by the Department for Education. 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 must be accounted for separately. Details of the deployment of DSG receivable for 2018/19 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2018/19 before Academy recoupment			181,748
Academy recoupment 2018/19			32,050
Total DSG after Academy recoupment for 2018/19			**149,698**
Brought forward from 2017/18	1,560		1,560
Agreed initial budgeted distribution for 2018/19	**30,889**	**120,226**	**151,115**
Final budgeted distribution for 2018/19	**32,601**	**118,657**	**151,258**
less Actual Central Expenditure	(28,821)		(28,821)
less Actual ISB deployed to schools		(118,657)	(118,657)
Carry forward to 2019/20 agreed in advance	**3,780**	**0**	**3,780**

40. Trust Funds and Other Third Party Funds

The council does not act as sole trustee 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 £29.9m as at 31 March 2019 (£29.0m as at 31 March 2018) 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

2017/18 £'000	Housing Revenue Account Income and Expenditure Statement	2018/19 £'000
	Expenditure	
32,308	Repairs and Maintenance	32,476
98,090	Supervision and Management	103,838
760	Rents, Rates, Taxes and Other Charges	1,014
32,382	Depreciation of non-current Assets	29,894
7,017	Gain or loss on Revaluation of non-current Assets	20,475
301	Debt Management Costs	338
171,630	**Total Expenditure**	**188,035**
	Income	
(151,771)	Dwellings Rents (gross)	(151,840)
(1,461)	Non-Dwellings Rents (gross)	(1,381)
(35,779)	Charges for Services & Facilities	(37,244)
(816)	Transfers from General Fund - Communal Use	(816)
(22,855)	PFI Government grant receivable	(22,855)
(3,835)	Contributions towards Expenditure	(745)
(216,517)	**Total Income**	**(214,881)**
(44,887)	**Net Cost of Services as included in the Comprehensive Income and Expenditure Statement**	**(26,846)**
2,490	HRA services' share of Corporate and Democratic Core	2,452
(42,397)	**Net (Income) / Cost of HRA Services**	**(24,394)**

	HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:	
(22,367)	Gain or loss on sale of property, plant & equipment	(14,808)
(11)	Gain or loss on sale of investment properties	(145)
(187)	Income and expenditure in relation to investment properties	
(250)	Gain or loss on revaluation of investment properties	(287)
25,246	Interest payable and similar charges	25,025
772	Movement in the allowance for bad debts	1,641
(4,999)	Capital Grants and Contributions receivable	(6,157)
(647)	Interest and investment income	(801)
(45,612)	**(Surplus)/Deficit for the year on HRA Services**	**(19,926)**

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.

2017/18 £'000	Movement on the HRA Statement	2018/19 £'000
(17,521)	**Balance on the HRA at the end of the previous year**	**(17,521)**
(45,612)	(Surplus) or Deficit for year on the HRA Income and Expenditure Account	(19,926)
25,800	Adjustments between accounting basis and funding basis under statute	4,661
(19,812)	**Net (Increase) or decrease before transfers to or from reserves**	**(15,265)**
19,812	Transfers to / (from) reserves	15,265
-	**(Increase) or decrease in year on the HRA**	**-**
(17,521)	**Balance on the HRA at the end of the current year:**	**(17,521)**

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

2017/18 £'000	Note on Reconciling Items for the HRA Balance	2018/19 £'000
	Adjustments between accounting basis and funding basis under statute	
4,999	Capital Grants received transferred to Grants Reserve	6,157
7,560	Repayment of PFI / lease liabilities	8,334
22,378	Gain or loss on sale of HRA non-current assets	14,808
(7,017)	Gain or loss on revaluation of council dwellings	(20,475)
(8,948)	Reversal of charges made for retirement benefits in accordance with IAS 19	(8,705)
4,098	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	4,400
30	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(5)
250	Gain or loss on revaluation of investment properties	287
(248)	Capital Receipts funding of Disposal Costs	(140)
(32,382)	Transfer from Capital Adjustment Account equivalent to depreciation	(29,894)
35,080	Transfers to/(from) Major Repairs Reserve	29,894
	Transfer to / from earmarked reserves	
274	Transfer to/(from) Tenants' Heating & Hot Water Reserve	192
19,538	Amounts transferred to/(from) HRA Reserve	15,073
45,612	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**19,926**

Notes to the Housing Revenue Account

1. Number and Types of Dwellings

The number and types of dwellings in the council's housing stock are shown below.

31 March 2018 *Nos*	Housing stock numbers	31 March 2019 *Nos*
22,860	Flats	22,841
2,434	Houses	2,433
-	Multiple Occupation	-
25,294	**Total**	**25,274**

2. Value of Dwellings

The value of council dwellings as at 31 March 2019 was £3.021billion. 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 2017/18), which means that the vacant possession value of the dwellings within the HRA as at 31 March 2019 is £12.1 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.

31 March 2018 *£'000*	Housing Stock - Value	31 March 2019 *£'000*
	Operational Assets	
3,166,184	Council Dwellings	3,021,427
	Other	
20,170	Other Land & Buildings	25,052
19,468	Infrastructure assets	19,558
245	Vehicles, Plant & Equipment	263
41	Surplus non-operational assets	41
3	Community Assets	3
1,510	Investment Properties	1,797
33,408	Assets under Construction	49,463
3,241,029	**Total**	**3,117,604**

3. Major Repairs Reserve

Expenditure financed from the Major Repairs Reserve amounted to £44.6m in 2018/19 (£41.2m in 2017/18).

2017/18 £'000	Major Repairs Reserve	2018/19 £'000
(57,603)	**Balance as at 1 April**	**(51,458)**
(32,382)	Transfer from HRA equivalent to HRA depreciation	(29,894)
(2,698)	Other transfer to/(from) HRA	-
41,225	Capital Expenditure on Dwellings	44,604
(51,458)	**Balance as at 31 March**	**(36,748)**

4. Capital Expenditure and Capital Receipts

The council spent £70.9m on the housing stock in 2018/19 (£63.7m in 2017/18). Net capital receipts in year amounted to £19.9m of which £14.1m is due to be paid to central government.

2017/18 £'000	HRA Capital Expenditure	2018/19 £'000
55,495	Works to HRA Dwellings / Other Properties	64,160
8,232	REFCUS	6,735
63,727	**Total**	**70,895**

2017/18 £'000	Capital Expenditure by Funding Source	2018/19 £'000
(6,572)	Borrowing	(3,014)
(10,930)	Usable Capital receipts	(16,401)
-	Revenue Contributions	(20)
(41,225)	Major Repairs Reserve	(44,604)
(4,999)	Other	(6,856)
(63,727)	**Total**	**(70,895)**

2017/18 £'000	Summary of Capital Receipts	2018/19 £'000
14,568	Usable	5,797
17,635	Paid to the government Housing Capital Receipts Pool	14,115
32,203	**Total**	**19,912**

5. Depreciation

The amount included in the Housing Revenue Account Income and Expenditure Account for depreciation amounted to £29.9m (£32.4m in 2017/18).

2017/18 £'000	Depreciation	2018/19 £'000
29,699	Council Dwellings	27,292
682	Other Land & Buildings	1,270
1,216	Infrastructure Assets	1,245
785	Vehicles, Plant & Equipment	87
32,382	**Total Depreciation**	**29,894**

6. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2018/19 was £4.3m (£4.8m in 2017/18).

7. Rent Arrears

Outstanding rent arrears as at 31 March 2019 were £8.0m. The amounts outstanding as at 31 March 2018 were £6.0m. During 2018/19, irrecoverable rent arrears of £0.7m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £4.3m. The table below shows rent arrears in 2018/19 and 2017/18.

2017/18 £'000	Rent Arrears	2018/19 £'000
3,103	Current tenants	5,037
2,866	Former tenants	3,042
5,969	**Total**	**8,079**

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

2017/18 Council Tax £'000	2017/18 Non-Domestic Rates £'000	2017/18 Total £'000	Summary of Income and Expenditure Account as at 31st March 2019	2018/19 Council Tax £'000	2018/19 Non-Domestic Rates £'000	2018/19 TOTAL £'000
			Income			
(107,037)	(257,076)	(364,113)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(115,365)	(292,084)	(407,449)
-	(8,302)	(8,302)	Business Rate Supplement Income	-	(8,776)	(8,776)
			Transfers from General Fund			
-	(37,171)	(37,171)	Transitional Relief	-	(18,381)	(18,381)
(107,037)	**(302,549)**	**(409,586)**	**Total Income**	**(115,365)**	**(319,241)**	**(434,606)**
			Expenditure			
			Precepts, Payments & Demands			
17	-	17	Lloyd Square	17	-	17
21,620	96,532	118,152	Greater London Authority	23,002	101,755	124,757
-	8,228	8,228	BRS Payments	-	8,758	8,758
82,696	78,269	160,965	London Borough of Islington	88,747	180,897	269,644
-	86,096	86,096	Payments with respect to Central Share	-	-	-
104,333	**269,125**	**373,458**	**Total Precepts & Demands**	**111,766**	**291,410**	**403,176**
			Collection & Admin Costs			
-	704	704	Costs of Collection	-	707	707
-	73	73	BRS Administrative Costs	-	18	18
			Other Transfers to the General Fund			
-	74	74	Renewable Energy Schemes	-	76	76
			Contributions			
			Towards previous year's Collection Fund Surplus			
2,184	1,860	4,044	London Borough of Islington	379	3,850	4,229
591	1,240	1,831	Greater London Authority	99	4,721	4,820
-	3,099	3,099	Central Government	-	4,262	4,262
			Bad and Doubtful Debts / Appeals			
18	33	51	Current Year Write Offs	17	74	91
-	12,386	12,386	Appeals Provision	-	15,550	15,551
2,555	4,247	6,802	Allowance for Bad Debts Provisions	2,614	1,224	3,838
109,681	**292,841**	**402,523**	**Total Expenditure**	**114,875**	**321,892**	**436,767**
2,644	**(9,708)**	**(7,063)**	**(Surplus) / Deficit for the Year**	**(490)**	**2,651**	**2,161**
			Collection Fund Account Reserves			
(3,146)	(6,358)	(9,504)	(Surplus)/Deficit brought forward	(501)	(16,066)	(16,567)
2,645	(9,708)	(7,063)	(Surplus)/Deficit for the year	(490)	2,651	2,161
(501)	**(16,066)**	**(16,567)**	**Closing Collection Fund Balance**	**(991)**	**(13,415)**	**(14,406)**

			Current Share of (Surplus)/Deficit			
(397)	(4,820)	(5,217)	London Borough of Islington	(787)	(7,486)	(8,273)
(104)	(5,944)	(6,048)	Greater London Authority	(204)	(4,862)	(5,066)
-	(5,302)	(5,302)	Central Government	-	(1,067)	(1,067)
(501)	**(16,066)**	**(16,567)**	**Total (Surplus)/Deficit c/f**	**(991)**	**(13,415)**	**(14,406)**

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 2018/19 council tax income is made up of following adjustments:

2017/18 £'000	Council Tax Income	2018/19 £'000
(155,268)	Gross Opening Charge	(165,962)
	Less: Adjustments	
9,633	Exemptions	9,972
55	Disabled Relief	60
13,289	Discounts	14,447
3	Other Adjustments	(2)
25,251	Council Tax Support	26,120
(107,037)	**Income collectable from Taxpayers**	**(115,365)**

The above discounts figure includes localised discounts £980k; mainly older person discounts £613k, shared livingallowance £106k, and care leavers' allowance £261k, the cost of which is absorbed by Collection Fund. The £100 council tax discount is awarded to Islington residents, where taxpayer or their partner is 65 or over on 1 April 2018 and are legally responsible for paying council tax at their property.

C2. Council Tax Base

In 2018/19, there were estimated gross adjusted 101,845 (100,451 - 2017/18) residential properties in Islington which were placed in one of eight valuation bands depending on their capital value. The total for each bands are converted by use of appropriate multipliers and expressed in terms of number of band D equivalent dwellings to give a tax base.

The tax base for council tax setting purposes for Islington was 78,176 equivalent Band D properties, (77,210 - 2017/18) 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 2018/19 band D equivalent council tax including precepts was £1,429.45.

Bands	2018/19 Actual Net Chargeable Dwellings as at 31/03/19 No. of dwellings	2018/19 Council Tax incl precepts £	2018/19 Net CTS of Chargeable dwellings at tax setting No. of dwellings	Proportion of Band D Charges %	2018/19 Band D Equivalent Dwellings at Tax Base for Tax Setting No. of dwellings	2017/18 Band D Equivalent Dwellings at Tax Base for Tax Setting No. of dwellings
A	2,088	952.96	1,205	66.7%	803	783
B	5,844	1,111.80	3,276	77.8%	2,548	2,566
C	28,646	1,270.62	17,554	88.9%	15,604	15,641
D	31,408	1,429.45	22,088	100.0%	22,088	21,960
E	17,424	1,747.10	13,481	122.2%	16,476	16,398
F	8,755	2,064.76	7,205	144.4%	10,407	10,325
G	6,795	2,382.41	6,081	166.7%	10,135	10,219
H	885	2,858.90	855	200.0%	1,710	1,706
Total	**101,845**		**71,745**			
Total Band D Equivalents Dwellings					**79,771**	**79,598**
Budgeted Collection Rate					98.00%	97.00%
Net Collection Rate Band D Equivalents Dwellings					**78,176**	**77,210**

C3. Non-domestic Rates (NDR).

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values and multiplier set by the Government. There are two multipliers. The small business non domestic rating multiplier for 2018/19 is 48.0p and the higher non-domestic rating multiplier is 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 rests 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, and its own share.

As part of the Business Rates Retention Scheme, the Council also had to finance appeals made in respect of rateable values as defined by the VOA and a provision for these amounts has been estimated in 2018/19.

The total non-domestic rateable value at 31st March 2019 was £717m (£717m at 31st March 2018). The rateable value of the borough has increased significantly after the revaluation of all commercial properties in 2017 by the Valuation Office and increase in net NNDR income to £320m (£303m at 31st March 2018), reflects the increase in rateable value. 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.

2017/18 £'000	Business Rates (NDR)	2018/19 £'000
(347,520)	**Gross rates and empty rates due at the end of the year**	(359,802)
	Less allowance and adjustments:	
7,809	NDR Payable in respect of previous years	7,746
37,171	Transitional Protection Payments	18,381
23,224	Mandatory Relief	25,138
9,849	Unoccupied Property Relief	6,510
3	Retail Relief	2,422
5,849	Small Business Rate Relief	237
5,010	Revaluation Relief	116
311	Supporting Small Business Relief	22
124	Pub Relief	5,858
1,092	Discretionary Relief	1,288
-	Interests	-
90,442	**Total Reliefs and Adjustments**	**67,718**
(257,078)	**Net Rates Payable After Reliefs and adjustments**	**(292,084)**
704	Costs of Collection	707
(37,171)	Transitional Protection Payments	(18,381)
74	Disregarded Renew able Energy	76
4,280	Losses in collection	1,298
12,386	Appeals Provision	15,550
(276,805)	**Actual Non Domestic Rating Income**	**(292,833)**

C4. Business Rates Supplement (BRS) - Crossrail.

The BRS was levied by GLA on non-domestic properties with a rateable value of £70,000 or more.

The aggregate rateable value of properties liable for BRS on 31st March 2019 was £533m (£539m at 31st March 2018). The multiplier for the year was 2.0p, giving a possible BRS income of £10.7m.

After allowable adjustments, the collectable income from BRS payers for 2018/19 was £8.776m (£8.302m in 2017/18). The £8.758m (£8.228m in 2017/18) payable to GLA is net of £0.018m collection costs and other adjustments retained by the Council.

2017/18 £'000	Business Rates Supplement (Crossrail)	2018/19 £'000
(8,302)	**BRS Due At Year End**	**(8,776)**
	Less allowance and adjustments:	
-	Refund of overpayments	-
56	Losses in collection	-
56	**Total**	**-**
(8,246)	**Income due from Business Ratepayers**	**(8,776)**
18	Costs of Collection	18
(8,228)	**Total**	**(8,758)**

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 (0%), Greater London Authority (36%) and the rest is retained by Islington (64%).

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 Fund is governed by the Public Service Pensions Act 2013 and administered in accordance with the following secondary legislation:

- The LGPS Regulations 2013 (as amended)
- The LGPS (transitional Provisions, Savings and Amendment) Regulations 2014 (as amended) and
- The LGPS (Management and Investment of Funds) Regulations 2016.

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 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 has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £50 million). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £52million and Pantheon Access - £78million. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee.

The Investment Strategy Statement, Funding Strategy Statement and Governance Policy Statement, for the Fund are available on the council's website:

https://www.islington.gov.uk/jobs-and-careers/council-pension-scheme

Power is given in The Local Government Pension Scheme Regulations 2016 (as amended) ("the 2016 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 Academy	Scheduled Body
City of London Academy, Islington	Scheduled Body
The New North Academy	Scheduled Body
William Tyndale Primary School	Scheduled Body
St Mary Magdalene Academy: the Courtyard	Scheduled Body
Tech City College (formerly Stem 6th)	Scheduled Body

Elliot Foundation	Scheduled Body
The Family School	Scheduled Body
The Bridge School	Scheduled Body
City of London Academy, Highbury Grove	Scheduled Body
City of London Academy, Highgate Hill	Scheduled Body
The Bridge Satellite Provision	Scheduled Body
The Bridge Integrated Learning Space	Scheduled Body
City of London Primary Academy, Islington	Scheduled Body
Clerkenwell Parochial CofE Primary School	Scheduled Body
Hungerford Primary School	Scheduled Body

Volunteering Matters (formerly CSV)	Admitted Body
Camden & Islington NHS Foundation Trust	Admitted Body
Braithwaite	Admitted Body
Pleydell	Admitted Body
NCP Services (Islington South)	Admitted Body
SSE Contraction Ltd (Islington Lighting)	Admitted Body
Brunswick	Admitted Body
Southern Housing Group	Admitted Body
Caterlink	Admitted Body
Engie Services Ltd(Cofely Workplace Ltd)	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
Pabulum	Admitted Body
Bouyges ES FM UK Ltd.	Admitted Body

There are also fourteen 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
Cushman & Wakefield
Kier Islington
Mouchel Parkman
Cambridge Education Associates (CEA)
Notting Hill Housing Trust
Aquaterra
Kier Support Services
Circle Anglia

Accounting Policies

The principal accounting policies of the scheme are as follows:

1. Investments

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13.

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 valued using the latest audited valuation and is carried at fair value. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

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 measured at fair value, gains and losses are recognised are recognised by the fund.

2. Investment Income

- **Investment income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.
- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.
- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

Movement in the net market value of investments – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

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 as at 31 March 2019.

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 2009, 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.

<u>Administrative expenses</u>

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.

<u>Oversight and governance costs</u>

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.

<u>Investment management expenses</u>

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 2016. Total contribution paid by members during 2018/19 amounted to £207k and the value of the fund as at 31 March 2019 was £1.5m.

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.

Fund Account

2017/18 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2018/19 £'000	Note
	Contributions receivable		
23,174	Employer contributions	24,721	2a
10,153	Deficit recovery contributions	10,128	2a
11,883	Members contributions	12,127	2
4,156	Transfers in from other pension funds	3,631	3
2,662	Other Income	2,572	4
52,028	**Total Income**	**53,180**	
	Benefits payable		
(44,632)	Pensions	(47,273)	5
(6,551)	Lump sum benefits	(8,967)	
(5,714)	Payment to and on account of leavers	(7,466)	6
(56,897)	**Total Expenditure**	**(63,707)**	
(4,869)	**Net additions/ (withdrawals) from dealing with members**	**(10,527)**	
(2,698)	**Management Expenses**	**(2,937)**	**7**
(7,567)	**Net additions/ (withdrawals) including fund management expenses**	**(13,464)**	

	Returns on investments		
14,347	Investment income	16,393	8
45,755	Change in market value (realised & unrealised)	66,385	
60,102	**Total Returns on investments**	**82,779**	

	Net return on investments		
52,535	Net increase/decrease in fund in year	69,315	
1,254,886	**Opening net assets of the scheme**	**1,307,421**	
1,307,421	**Closing net assets of the scheme**	**1,376,736**	

Net Assets Statement

2017/18 £'000	Net Assets Statement for the year ended 31 March 2019	2018/19 £'000	Note
	Investments		
1,319,901	Investment assets	1,364,616	9
14,084	Other Investment and Cash	22,263	9
1,333,985	**Total Investments**	**1,386,878**	
	Current Assets and Liabilities		
5,176	Current assets	3,545	10
(31,740)	Current liabilities	(13,688)	11
1,307,421	**Net assets of the scheme at 31 March**	**1,376,736**	

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

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of 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 15 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*	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	30,011	31,877	-	-	1,385	702
Scheduled Bodies						
St Mary Magdalene Academy	203	199	-	-	-	-
City of London Academy	134	154	-	-	-	-
The New North Academy	85	97	-	-	-	-
William Tyndale School	91	104	-	-	-	-
The Courtyard School	15	19	-	-	-	-
Tech City (Stem 6th form Academy)	11	14	-	-	-	-
Elliot Foundation	85	105	-	-	-	-
The Bridge Integrated Learning Space	21	39	-	-	-	-
Family School Academy	14	16	-	-	-	-
The Bridge School	428	454	-	-	-	-
City of London Academy Highbury Grove	49	283	-	-	-	-
City of London Academy, Highgate Hill	45	61	-	-	-	-
The Bridge Satellite Provision	5	15	-	-	-	-
City of London Primary Academy, Islington	14	9	-	-	-	-
Clerkenwell Parochial Academy	22	77	-	-	-	-
Hungerford School	-	108	-	-	-	-
Admitted bodies						
Volunteering Matters(CSV)	149	154	-	-	-	-
Camden & Islington NHS Foundation Trust	77	81	-	-	-	-
Braithwaite	5	5	-	-	-	-
Pleydell	16	15	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	12	12	-	-	-	-
Brunswick	18	17	-	-	-	-
Southern Housing Group	4	8	-	-	-	-
Caterlink	154	157	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	133	108	-	-	-	-
R M Education	6	(205)	-	-	-	-
Breyer Group	5	5	-	-	-	-
Mears Ltd	29	31	-	-	-	-
Greenwich Leisure Ltd	82	77	-	-	-	-
WJ Catering	2	2	-	-	-	-
Isledon Arts CIC	8	8	-	-	-	6
Pabulum	9	3	-	-	-	-
Alliance In Partnership	-	21	-	-	-	-
Bouyges ES FM UK Ltd.	-	14	-	-	-	-
Totals	31,942	34,142	0	0	1,385	707

*Note 15 provides further information regarding "Strain Recovery"

b) Members' Contributions

The following table sets out an analysis of the contributions made by employees of the council and its admitted bodies.

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2017/18	2018/19
	£'000	£'000
Administering Authority		
Islington Council	11,148	11,245
Scheduled Bodies		
St Mary Magdalene	104	99
City of London Academy	65	71
The New North Academy	33	35
William Tyndale School	26	30
The Courtyard School	10	13
Tech City (Stem 6th form Academy)	10	10
Elliot Foundation	97	106
The Bridge Integrated Learning Space	12	146
Family School Academy	6	23
The Bridge School	127	7
City of London Academy Highbury Grove	16	70
City of London Academy, Highgate Hill	16	30
The Bridge Satellite Provision	3	7
City of London Primary Academy, Islington	5	9
Clerkenwell Parochial academy	7	15
Hungerford School	-	27
Admitted bodies		
Volunteering Matters (CSV)	-	0
Camden & Islington NHS Foundation Trust	12	11
Braithwaite	2	2
Pleydell	6	6
NCP Services (Islington South)	9	8
SSE Contracting Ltd (Islington Lighting)	3	4
Brunswick	6	5
Southern Housing Group	5	2
Caterlink	52	50
Engie Ltd (Cofely Workplace Ltd)	48	36
R M Education	3	1
Breyer Group	3	2
Mears Ltd	9	9
Greenwich Leisure Ltd	34	30
WJ Catering	1	1
Isledon Arts CIC	3	3
Pabulum	2	1
Alliance In Partnership	-	9
Bouygues ES FM UK Ltd.	-	4
Totals	**11,883**	**12,127**

3. Transfers in

2017/18 £'000	Transfers in	2018/19 £'000
-	Group transfers in from other schemes	-
4,156	Individual transfers in from other schemes	3,631
4,156	**Total transfers in**	**3,631**

4. Other Income

2017/18 £'000	Other Income	2018/19 £'000
-	Income from Other Investments	-
-	Interest	-
2,662	Other	2,572
2,662	**Total other income**	**2,572**

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	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	41,503	43,897	5,114	6,879	1,337	1,487
Scheduled Bodies						
St Mary Magdalene Academy	23	25	14	-	-	-
City of London Academy	29	40	-	27	-	93
The New North Academy	9	9	-	-	-	-
William Tyndale School	19	20	-	-	-	-
The Courtyard	3	5	7	-	-	-
Tech City (Stem 6th form Academy)	-	1	-	8	-	-
Elliot Foundation	-	0	-	-	-	-
Admitted bodies						
Volunteering Matters (CSV)	1,099	1,238	54	251	-	24
Aquaterra	220	240	-	65	-	-
CEA	809	831	-	-	-	-
FSST	3	3	-	-	-	-
Kier Islington Ltd (Caxton)	570	578	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	68	70	-	-	-	-
ALA	22	20	3	-	-	-
Notting Hill Trust	8	8	-	-	-	-
Camden & Islington NHS Foundation Trust	52	59	-	36	-	-
SSE Contracting Ltd (Islington Lighting)	53	54	-	-	-	-
Brunswick	9	9	-	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	31	32	-	-	-	-
London Property Maintenance	-	0	-	-	-	-
Caterlink	15	18	-	5	-	-
Engie Ltd (Balfour Beatty)	19	24	-	32	-	-
Kier Support Services	20	20	-	-	-	-
Breyers	-	-	-	-	-	-
Mears	15	16	-	-	-	-
Greenwich Leisure Ltd	21	22	22	-	-	-
WJ Catering	-	12	-	57	-	-
Isledon Arts CIC	-	1	-	2	-	-
Alliance In Partnership	-	2	-	-	-	-
Totals	**44,632**	**47,268**	**5,214**	**7,364**	**1,337**	**1,603**

6. Payments to and on Account of Leavers

2017/18 £'000	Payment to and on Account of Leavers	2018/19 £'000
154	Refunds of Contributions	193
5,560	Individual Transfer	7,273
5,714	**Total payments to and on account of leavers**	**7,466**

7. Management Expenses

2017/18 £'000	Management Expenses	2018/19 £'000
1,242	Administrative Cost (7a)	1,324
1010	Investment Management Expenses (7b)	1,214
446	Oversight and Governance Cost (7c)	400
2,698	**Total Management Expenses**	**2,937**

7(a) Administrative Expenses

2017/18 £'000	Administrative expenses	2018/19 £'000
898	Employee Cost	898
344	Support services	426
-	Other expenses	-
1,242	**Total administrative expenses**	**1,324**

All other costs of administration are borne by Islington Council.

7(b) Investment Expenses

2017/18 £'000	Investment Expenses	2018/19 £'000
961	Management Fees	1,181
49	Custody Fees	33
1,010	**Total investment management expenses**	**1,214**

7(c) Oversight and Governance Cost

2017/18 £'000	Oversight & Covernance Cost	2018/19 £'000
21	Performance Management Services	25
386	Advisory Services Fees	313
9	Operation and Support	21
9	Actuarial Fees	25
21	Audit Fees	16
446	**Total Oversight & Governance Cost**	**400**

8. Income from Investments

2017/18 £'000	Investment Income	2018/19 £'000
12,056	Dividends from equities	7,229
(233)	Income from other investments vehicles	5,791
2,524	Net rents from pooled investment properties	3,356
-	Interest on cash deposits	17
14,347	**Total Investment income**	**16,393**
-	Irrecoverable withholding tax	-
14,347	**Total Investment income**	**16,393**

9. Investments

Investments 2018/19	Market value 01 Apr 18 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 19 £'000
Fixed interest securities	80	-	-	(2)	78
Indexed linked securities	125	-	-	-	125
Equities	169,334	-	(4,879)	3,637	168,092
Pooled investment vehicles (P.I.V)	928,474	5,798	(111,190)	45,918	869,000
Other Investment - P.I.V	-	-	-	-	-
Properties - P.I.V	195,601	65,433	(11,590)	11,233	260,677
Private Equity - P.I.V	26,287	619	(7,360)	7,887	27,433
Infrastructure - PIV	-	61,397	(19,899)	(2,287)	39,211
Total	**1,319,901**	**133,247**	**(154,918)**	**66,386**	**1,364,616**
Other Investment & Cash	14,084	-	**-**	-	22,263
Total Investments	**1,333,985**	**0**	**0**	**0**	**1,386,879**

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.

Investments 2017/18	Market value 01 Apr 17	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value as at 31 Mar 18
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Fixed interest securities	84	-	-	(4)	80
Indexed linked securities	131	-	-	(6)	125
Equities	452,558	23,607	(309,326)	(3,110)	163,729
Pooled investment vehicles (P.I.V)	553,993	681,802	(334,050)	32,334	934,079
Other Investment - P.I.V	-	-	-	-	
Properties - P.I.V	183,544	8,476	(7,785)	11,366	195,601
Private Equity - P.I.V	32,304	487	(11,677)	5,173	26,287
Venture Capital	-	-	-	-	
Total	**1,222,614**	**714,372**	**(662,838)**	**45,753**	**1,319,901**
Other Investment & Cash	30,995	-	**-**	-	14,084
Total Investments	**1,253,609**	**0**	**0**	**0**	**1,333,985**

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

Investment Assets by Type		2017/18 £'000	2018/19 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		80	78
Total Fixed interest securities		**80**	**78**
Index -linked			
UK public sector quoted		125	125
Total Index -linked		**125**	**125**
Equities (valued at Bid Price)			
UK quoted		126,485	125,805
Overseas quoted		37,244	37,111
Total Equities		**163,729**	**162,916**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	112,452	117,187
	Other : Bond	248,487	157,775
Overseas Managed Funds	Other : Equity	147,199	162,254
	Property	18,833	25,781
	Other : Private Equity	26,287	27,433
UK Unit trusts (valued at Bid Price)	Property	64,316	117,709
	Other	538,393	554,147
Infrastructure Investment			39,211
Total Pooled investment vehicles		**1,155,967**	**1,201,497**
Insurance policies			
Insurance policies		-	-
Other investment balances (valued at Amortised cost)			
Outstanding trades		(2)	-
Outstanding dividends & RWT		1,686	2,058
Cash deposits : Sterling		9,100	9,913
Cash deposits : Other		3,301	10,293
Total Other investment balances		**14,084**	**22,263**
Total Investment Assets		**1,333,985**	**1,386,879**

Type of future	Expiration	Market 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.

9a. Investments exceeding 5% of net assets

The table below shows the Fund's investments which exceed 5% of net assets. These are all pooled investment vehicles, which are made up of underlying investments, each of which represent less than 5%.

Security	Market value 31 March 2019 £'000	% of total fund	Market value 31 March 2018 £'000	% of total fund
LBI Self-Managed UK quoted	125,805	9.1%	126,485	9.7%
London CIV Pooled - Newton MSCI All Country World	218,049	15.8%	190,907	14.6%
London CIV Pooled Allianz MSCI World	118,596	8.6%	106,770	8.2%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	157,775	11.5%	248,487	19.0%
Aviva Lime Property UK Unit Trust	117,709	8.5%	64,316	4.9%
Threadneedle Pooled Investment Property AREF IPD All Balanced	88,673	6.4%	84,778	6.5%
Legal & General Pooled Investment Vehicle	162,254	11.8%	147,199	11.3%
Schroders Pooled Investment Multi Asset	113,648	8.3%	128,530	9.8%
BMO Pooled Investment MSCI Emmerging Market	76,207	5.5%	74,776	5.5%

10. Current Assets

2017/18 £'000	Current Assets	2018/19 £'000
1,525	Contributions due from Employers & Employee	706
19	Sundry Debtors	46
3633	Cash Balances	2,793
5,177	**Total**	**3,545**

11. Current Liabilities

2017/18 £'000	Current Liabilities	2018/19 £'000
(601)	Accrued Benefits	(930)
(11,249)	**Sundry Creditors	(480)
(8,920)	*Receipt in Advance	(8,863)
(2,107)	Accrued Expenses	(3,415)
(22,877)	**Total Current liabilities**	**(13,688)**
2017/18 £'000	**Non-Current Liabilities**	**2018/19 £'000**
(8,863)	*Receipt in Advance	-
(8,863)	**Total Non-Current Liabilities**	**0**
(31,740)	**Total Liabilities**	**(13,688)**

12. Benefits

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 addtion, 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 exhanged 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. Contributions

Contributions are credited to the Pension Fund consisting mainly of:

a) Employees' contributions ranging between 5.5% 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 2016, effective from 1 April 2017 fixed at 14.6% of pensionable payroll costs phased over 3 years (13.9% in 18/19). 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 £8.92m was made in 2018/19 (a discounted amount due to payment in advance in April 2017)

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

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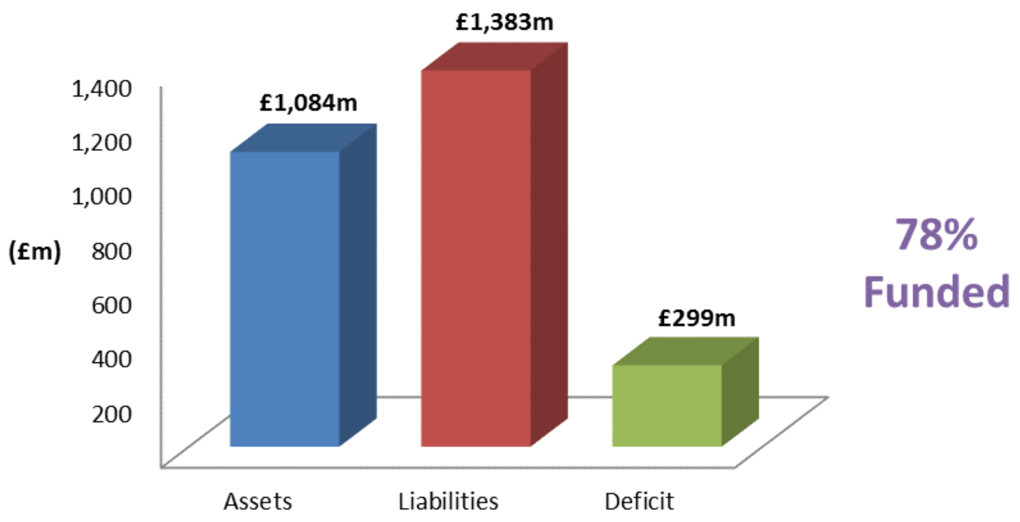
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019 - STATEMENT BY THE CONSULTING ACTUARY

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Islington Council Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,084 million represented 78% of the Fund's past service liabilities of £1,383 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £299 million.



The valuation also showed that a Primary contribution rate of 14.7% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 22 years, and the total initial recovery payment (the “Secondary rate”) for 2019/20 is approximately £10.1 million.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements for certain employers) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the Primary rate of contribution were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities (Primary rate of contribution)**
Rate of return on investments (discount rate)	4.4%/4.5% per annum**	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4-year period.
**depending on covenant strength, as agreed with the Administering Authority

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

15. Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund’s promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	**31 March 2019**
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / Care Revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of GMP) / deferment	2.2% per annum	2.3% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected rate of long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £2,091 million. Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£7 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £24 million by way of an estimate of the effect of the McCloud judgment (see note below for further details). There was then an increase in liabilities of £119 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £2,295 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is unclear what the extent of any potential remedial action might be.

Following a request from the LGPS Scheme Advisory Board, the Government Actuary's Department (GAD) has carried out some costings of the potential effect of McCloud on the LGPS as a whole, which are set out in their paper dated 10 June 2019. For the LGPS as a whole, GAD's calculations indicate a potential balance sheet effect of additional liabilities of about 3.2% of active member liabilities, when measured on IAS26 actuarial assumptions as at 31 March 2019 assuming real pay growth of 1.5% p.a. above CPI. Applying the same 3.2% of active member liabilities to the Islington Council Pension Fund, the increase in the estimated total value of the Fund's promised retirement benefits at 31 March 2019 would be approximately £24 million.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgment has now provided further clarity in this area. However, in response to this judgment HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgment itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes (including the Local Government Pension Scheme) is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and as such we have not made any allowance for any additional liabilities within the above figures at this stage. It is however possible that, in due course there may be additional cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
July 2019

James Hunter
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
July 2019

16. Fund Membership

Membership of the Fund	Administering Body 2017/18 No's	Administering Body 2018/19 No's	Admitted Bodies 2017/18 No's	Admitted Bodies 2018/19 No's	Scheduled Bodies 2017/18 No's	Scheduled Bodies 2018/19 No's	Totals 2017/18 No's	Totals 2018/19 No's
Employees Contributing into the Fund	5,690	5,684	124	128	477	472	6,291	6,284
Pensioners	5,193	5,455	403	428	17	25	5,613	5,908
Widow s/ Children's Pensions	1,001	1,026	50	51	5	5	1,056	1,082
Deferred Benefits	7,682	7,465	755	722	169	229	8,606	8,416
Totals	**19,566**	**19,630**	**1,332**	**1,329**	**668**	**731**	**21,566**	**21,690**

17. Additional Voluntary Contributions

2017/18 Market Value £'000	Additional Voluntary Contribution	2018/19 Market Value £'000
1,099	Prudential	1,237
224	Equitable life	215
83	Phoenix Life (formerly NPI)	87
1,406	**Total Additional Voluntary Contributions**	**1,539**

18. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2018/19.

19. Contractual Commitments

There were no contractual commitments at the period end.

20. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2019, the Pension Fund held in receipt for the Islington Council £11.7m (£28.3m~31 March 2018). Full contributions from the council for the year are disclosed in Note 2.

Two members of the pension board are in receipt of pensions benefits from the Islington Council Pension Fund (Marion Oliver and Valerie George). Members of the Pensions Sub-committee are related parties of the fund. Each member of the pension board and the pension fund committee is required to declare their interest at each meeting. No other declarations were made during the year.

20a. Key Management Personnel

The key management personnel of the fund are the members of the Pension Fund Committee, the Director of Finance, the Head of Pensions and Treasury Management and the Director of Human Resources.

2017/18 £'000	Key Management Personnel	2018/19 £'000
50	Short-term benefits	51
10	*Post-employment benefits	9
-	Termination benefits	-
60		**60**

*Post employment benefits are at state retirement age.

21. Post Balance Sheet Events

None.

22. Risk and Risk Management

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

Market Risks

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

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

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 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	162,708	8.50%	176,615	148,801
Overseas Equities	583,630	10.00%	642,213	525,046
Total Bonds	157,775	5.40%	166,273	149,276
Pooled Multi Asset	113,648	4.60%	118,861	108,436
Cash	19,327	0.50%	19,424	19,231
Property	260,677	3.20%	269,041	252,313
Infrastructure	39,211	5.50%	41,356	37,066
Private Equity	27,433	13.20%	31,060	23,805
Total Assets	**1,364,409**	**5.30%**	**1,436,358**	**1,292,458**

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

Price Risk	Final Market Value as at 31/03/18 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	171,055	10.20%	188,502	153,607
Overseas Equities	520,657	9.50%	570,120	471,195
Total Bonds	248,487	5.90%	263,148	233,826
Pooled Multi Asset	128,529	5.40%	135,470	121,589
Cash	11,564	0.50%	11,622	11,506
Property	195,601	3.30%	202,056	189,147
Private Equity	26,287	10.50%	29,047	23,526
Total Assets	**1,302,180**	**6.00%**	**1,380,311**	**1,224,049**

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(by asset class)	Final Market Value as at 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	583,630	5.60%	616,542	550,717
Overseas Private Equity	27,433	5.60%	28,980	25,886
Overseas Infrastructure	39,211	5.60%	41,422	37,000
Overseas property	25,780	5.60%	27,234	24,327
Total Assets	**676,054**	5.60%	**714,178**	**637,930**

Currency Risk(by asset class)	Final Market Value as at 31/03/18 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	520,657	6.00%	552,066	489,248
Overseas Private Equity	26,287	6.00%	27,872	24,701
Overseas property	18,833	6.00%	19,969	17,697
Total Assets	**565,777**	6.00%	**599,907**	**531,646**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. The fund's corporate bond securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year via its fund managers and asset allocation.

Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The selection of high quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors receipt of contributions and the state of its admitted bodies.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2019, liquid assets were £1,320m representing 95% of total fund assets (£1,307m at 31 March 2018 representing 98% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house , that gives access to cash dividend income on a regular basis.

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 2019	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable inputs Level 3 £'000	Total £'000
Financial Assests				
Financial assets at fair value through profit and loss	1,320,236		66,644	1,386,879
Assets at amortised cost	2,793	752		3,545
Total Financial Assets	**1,323,029**	**752**	**66,644**	**1,390,424**
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
Total Financial Liabilities	**0**	**(13,688)**	**0**	**(13,688)**
Net Financial Assets	**1,323,029**	**(12,936)**	**66,644**	**1,376,736**

Values at 31 March 2018	Quoted Market Price Level 1 £'000	Using Observable Inputs Level 2 £'000	With Significant Unobservable inputs Level 3 £'000	Total £'000
Financial Assests				
Financial assets at fair value through profit and loss	1,307,698		26,287	1,333,985
Loans and Receivables	3,633	1,543	-	5,176
Total Financial Assets	**1,311,331**	**1,543**	**26,287**	**1,339,161**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(31,740)	-	(31,740)
Total Financial Liabilities	**0**	**(31,740)**	**0**	**(31,740)**
Net Financial Assets	**1,311,331**	**(30,197)**	**26,287**	**1,307,421**

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.

23a. Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2018	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Private Equity - P.I.V	26,287	619	7,360	(7,887)	27,433
Infrastructure - PIV	-	61,397	19,899	2,287	39,211
Total Level 3 Assets	**26,287**	**62,016**	**27,259**	(5,600)	**66,644**

24. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2017/18 £'000	2018/19 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	126,485	125,805
Overseas quoted - LBI self-managed	37,244	37,111
CASH DEPOSITS		
Sterling	1,853	2,625
Other	2,817	9,808
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,174	1,571
FIXED INTEREST		
UK	80	78
INDEX-LINKED		
UK	125	125
POOLED FUNDS		
UK	5,605	5,177
Total LBI In House Fund	**175,383**	**182,300**
Newton - London CIV		
POOLED FUNDS		
UK quoted	190,907	218,049
CASH DEPOSITS		
Sterling	109	109
Other	439	477
OTHER INVESTMENT BALANCES		
Outstanding Dividends	411	390
Total Newton	**191,866**	**219,025**
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	106,770	118,596
CASH DEPOSITS		
Sterling	279	284
Other	7	8
OTHER INVESTMENT BALANCES		
Outstanding Dividends	101	97
Total RCM	**107,157**	**118,985**

Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	248,487	157,775
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	6,488	9,174
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	19,799	18,258
Aviva Lime Property		
UK UNIT TRUSTS		
Property	64,316	117,709
Threadneedle Pensions		
POOLED INVESTMENT: Property	84,778	88,673
Thesis		
POOLED INVESTMENT: Property	27,674	28,514
BNY Mellon		
CASH DEPOSITS : Sterling	6,896	6,894
Outstanding fx trades	(2)	0
Total BNY Mellon	**6,894**	**6,894**
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	147,199	162,254
Franklin Templeton		
Pooled Investment Global Property	18,833	25,781
Schroders		
Pooled Investment Multi Asset	128,530	113,648
BMO		
Pooled Investment Managed Funds	74,776	76,207
LGIM		
Pooled Investment Managed Funds	31,805	22,471
Pantheon Infrastructure		
Infrastructure	0	16,500
Quinbrook Infrastructure		
Infrastructure	0	22,711
Total Investment Assets	**1,333,985**	**1,386,879**

Glossary of Financial Terms

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

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

Accumulated Absences Account: absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year

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

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

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

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

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

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

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

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

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

Chargeable Dwellings: The number of dwellings in the council's area liable for council tax.

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

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

Contingent Liabilities: Sums of money that the council will be liable to pay in certain circumstances e.g. as a result of losing court cases. Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or
(b) a present obligation that arises from past events but is not recognised because:
(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
(ii) the amount of the obligation cannot be measured with sufficient reliability.
A contingent asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

council tax: A tax on domestic property values.

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

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

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

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 has 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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London Borough of Islington

Annual Governance Statement 2018-19

1. Scope of responsibility

1.1. Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the seven principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the code is on our website, included in the Council's Constitution.

1.3. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:

- Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
- Describes processes applied in reviewing their effectiveness, and
- Lists actions proposed to deal with significant governance issues identified.

2. The purpose of the governance framework

2.1. The governance framework comprises the systems, policies, processes, culture and values by which Islington Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

3. The governance framework

This section describes the key elements of Islington Council's governance arrangements.

3.1. *Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.*

3.1.1. The Council expects the highest standard of conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Audit Committee, supported by the Standards Committee. The Standards Committee is responsible for considering complaints regarding alleged breaches of the Members' Code of Conduct. The Audit Committee received an annual report on Member conduct matters on 15 October 2018. In accordance with the Localism Act 2011, the Council has appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.

3.1.2. Part 6 of the Constitution contains the revised Members Code of Conduct, which sets out the rules for registering and declaring interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.

3.1.3. Part 7 of the Constitution contains the Members' Allowance Scheme, which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.

3.1.4. An Employee Code of Conduct is reviewed, revised and publicised to staff.

3.1.5. The Council has established a whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. This forms part of the Council's Anti-Fraud Policy. The Audit Committee reviews and updates the whistle blowing policy and receives a report concerning whistleblowing bi-annually annually. The updated policy was approved by Audit Committee on 31 January 2019.

3.1.6. The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet and internet sites. The policy encourages employees to report inappropriate action by other employees, Members and external Council contractors, without fear of victimisation or retribution. Whistle blowing referrals are promptly investigated by Internal Audit, where appropriate, after initial referral to the Head of Internal Audit.

3.1.7. The Council has a formal two-stage process for managing complaints. Our aim is to ensure that when things go wrong, we respond quickly to put things right. The process is set out on the Council's website and copies are available from the Central Complaints Team.

3.1.8. The Council has a Corporate Complaints Team responsible for the overall management of complaints. Its aim is to ensure the Council learns and improves its performance as a result of customer feedback. Departmental Complaints Officers record and report on all complaints, and the service response is monitored.

3.1.9. Customers and residents who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government Ombudsman and Social Care Ombudsman or the Housing Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

3.2. *Ensuring compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful.*

3.2.1. Chief Officers are responsible for ensuring that their staff operate in accordance with human resources policies, and the Code of Conduct for Employees promote high standards of behaviour and are reinforced by appropriate training. As well as providing legal support on specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to Chief Officers, staff and Members on new legislation and case law developments and changes to existing legislation and regulations. All decision making reports to the Council, its Committees and the Executive include appropriate legal implications. Legal Services also provide legal implication comments for reports to Chief Officers and to meetings of the Corporate Management Board. A representative of the Service attends all Council, Executive, Planning and Licensing meetings and other meetings when requested.

3.2.2. The Internal Audit service produces an annual plan, which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and external audit reports are available to the Audit Committee, which also receives an annual report on the primary risks facing the Council.

3.3. *Documenting a commitment to openness and acting in the public interest.*

3.3.1. The Council's Constitution, through the Local Code of Corporate Governance sets out the Council's commitment to:

- Focus on the purpose of the authority and on outcomes for the community;
- Work effectively with officers to achieve a common purpose, whilst understanding the clearly defined different functions and roles;
- Promote the values of the authority and demonstrate the values of good governance by upholding high standards of conduct and behaviour;
- Take informed and transparent decisions which are subject to effective scrutiny;
- Develop their own capacity and capability;
- Engage with local people and other stakeholders.

3.3.2. The Council also sets out its commitment to Freedom of Information, Environmental Information Regulations in its Access to Information Policy. The Council sets out its commitment to complying with Individual Rights, as set out in the General Data Protection Regulation, in the Individuals Rights Policy.

3.3.3. A comprehensive Data and Information Management policy suite is in place to ensure staff are aware of their obligations to keep personal data secure. All staff are also briefed on Data Protection and Information Governance responsibilities via 'pop-up' training, and must complete two mandatory eLearning courses on GDPR and data handling.

3.3.4. The Council has an Information Asset Register and a Record of Processing Activity in place to ensure that it manages its information and identified and mitigates any risks efficiently.

3.3.5. The ICO carry out compulsory audits or ask organisations to participate in a 'consensual' audit. The Council participated in a consensual audit by the ICO in 2015. The Council are required by law to refer data breaches to the ICO where they meet the threshold for reporting. The Council reported two incidents in 2018-19 and both were closed with no further action as the ICO were satisfied with the remediation actions undertaken. Individuals are also entitled to escalate complaints to the ICO, these arise either from an Freedom of Information (FOI) or Data Protection (DP) concern (late/incomplete subject access request), alleged data breach etc. The ICO can issue a decision notice in response to an FOI complaint (this can be for or against the council). The Council had one against the organisation for timeliness of response in 2018/19. The ICO can also issue practice recommendations or fines in relation to breaches of DP legislation (e.g. breach of data or another breach of legislation such as failing to respond to a subject access request in one month). No practice recommendations have been issued in 2018-19.

3.4. ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

3.4.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council websites, email, social media channels, public meetings and the quarterly magazine delivered to residents. In 2014, 2015, 2017 and again in 2018, a survey of 1,000 residents was undertaken to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications.

3.4.2. An annual Voluntary and Community Sector Conference, delivered in partnership with Voluntary Action Islington, provides an opportunity for engagement with a wide number of local organisations that work closely with some of the most vulnerable residents. Alongside this, a range of communications networks and network meetings are organised with specific sections of the borough's voluntary and community sector.

3.4.3. Through its VCS Partnership Grants Programme, the Council has made commitments of £2.7 million per annum until March 2020 to 49 voluntary and community sector organisations. This includes £1.414 million for advice services (including Islington Law Centre, Citizens Advice Bureau, Islington People's Rights and Help on Your Doorstep advocacy service), £220,000 to borough-wide infrastructure partners and networks, £395,000 to delivery partners, £597,000 to community hubs and £35,000 for a borough-wide volunteering offer. Alongside this, the council runs small grants programmes, including the Islington Council Community Chest fund and Local Initiatives Fund which facilitate clear communication channels with all sections of the community.

3.4.4. Council meetings are open to the public; the only exception is for agenda items that are confidential. The time, date and location of public meetings are displayed on the Islington website.

3.4.5. Ward partnership meetings provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. Those meetings are open to the public.

3.5. ***Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning and translating the vision into courses of action for the authority, its partnerships and collaborations.***

3.5.1. The central aim of the Council's Administration is to make Islington a fairer place. In 2010, the Council set up a Fairness Commission which explored inequalities for residents and set out recommendations for a fairer Islington. This was followed in 2013 by a second commission – the Employment Commission – looking at how to tackle unemployment, a key driver in the poverty and inequality in Islington. In 2016/17, the Council set up a Fairer Futures Commission looking at young people's experience of growing up in Islington.

3.5.2. The Council's priorities to achieve its vision of a fairer Islington' are set out in 'Building a Fairer Islington' our Corporate Plan for 2018-22.

3.5.3. The council's seven key priorities are:

- **Homes** - Delivering decent and genuinely affordable homes for all
- **Jobs and Money** – Delivering an inclusive economy, supporting people into work and helping them with the cost of living
- **Safety** – Creating a safe and cohesive borough for all
- **Children and young people** – Making Islington the best place for all young people to grow up
- **Place and environment** – Making Islington a welcoming and attractive borough and creating a healthier environment for all
- **Health and independence** – Ensuring our residents can lead healthy and independent lives
- **Well run council** – Continuing to be a well-run council and making a difference despite reduced resources

3.5.4. These priorities and the intended outcomes have been communicated to staff, residents and service users in newsletters, on the Council's website (www.islington.gov.uk) and through a variety of other media. The Council also uses large print and translated documents to make the information accessible.

3.5.5. The Council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. Elements are:

- Corporate Performance Indicator Suite – performance measures covering key services, priorities and equalities objectives;
- Performance reporting to scrutiny committees, including more in depth scrutiny of specific topics, and
- Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.
- Over the next six months the performance framework will be reviewed to align it with the Programme Management Office.

3.5.6. The Islington Commitment, Corporate Performance Indicator Suite, and Performance Management Framework are set out on the Performance page of the Council's website.

3.5.7. The Council uses feedback from surveys and complaints in its commissioning strategies and actively engages with service users and carers to co-produce plans for service development and service change.

3.6. *Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.*

3.6.1. Part 3 of the Council's Constitution sets out the bodies or officers that are responsible for discharging the Council's executive and non – executive functions. The terms of reference of these bodies are set out in Part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

3.6.2. The Council's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive (although only in very limited circumstances in Islington);
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers);
- Committees and Sub-Committees of the Council or the Executive;
- Joint Committees;
- Officers, and
- Other persons authorised under specific legislation.

3.6.3. The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the Council's most significant decisions, which are made in line with Council policy and budget. Its functions and terms of reference are set out in Parts 3 and 5 of the Constitution. Executive agendas, minutes and summaries of decisions are available on the Council website.

3.6.4. Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The limited powers delegated to individual portfolio holders are set out in the Constitution as is the process should the Leader decide to exercise any Executive functions personally. In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the overview and scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution.

3.6.5. The Constitution includes formal delegation of responsibility and accountability, the Council's Procurement Rules and Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring that standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.

3.6.6. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Policy and Performance Scrutiny Committee and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the Council and its partners. This includes consideration of medium term financial strategy. The Policy and Performance Scrutiny Committee and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.

3.6.7. All formal meetings are clerked by well-trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure. Members are required to make sound decisions based on written reports, which are prepared in accordance with the Council's report writing guidelines, and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must address the impact on residents, including equalities impact and environmental impact, together with financial and legal implications and risks.

3.7. ***Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.***

3.7.1. The Council's robust management processes enable it to measure the quality of services provided to Islington's residents and service users:

- Service, financial and corporate planning processes ensure that the Council's objectives are based on service commitments and strategic priorities;
- Directorates report monthly on their key financial, risk and service delivery indicators. Performance slippages are highlighted and remedial action taken;
- The Monthly Performance Panel, and the external reporting through scrutiny, both include a focus on the quality of services and on user feedback.

3.8. ***Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.***

3.8.1. The Council's Constitution sets out how the Council operates, how decisions are made transparently, and how the Council demonstrates its accountability to residents and local businesses.

3.8.2. The Constitution also sets out the roles and responsibilities of the Executive, other member level decision making bodies and officers. A Publicity Protocol governing Members' and Committees' communication is set out in Part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.

3.8.3. The Constitution is updated at least annually to reflect any internal or legislative changes. Key amendments coming into effect in 2017/18 included an update to the Terms of Reference of the Joint Health Overview and Scrutiny Committee to expand its responsibilities for consultation and promoting joint working and the Members Code of Conduct was updated to increase transparency regarding gifts and hospitality offered to Members.

3.9. ***Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)***

The S151 Officer (Director – Financial and Asset Management) is responsible for leading and directing financial strategy and operations for 2018-19; and is responsible for:

- Ensuring lawfulness and financial prudence of decision-making;
- Reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) and the Council's external auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure; or is unlawful and is likely to cause a loss or deficiency; or if the Council is about to enter an item of account unlawfully, and
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to Members.

3.9.1. The Head of Internal Audit gives an objective based opinion on all aspects of governance, risk management and internal control, and reports regularly to the Audit Committee.

3.9.2. The Corporate Governance Group meets at regular intervals to discuss and monitor compliance with corporate systems of internal control, data security and governance issues. The group includes the Interim Corporate Director of Resources, the Section 151 Officer, the Director of Law and Governance (the Council's Monitoring Officer) and the Head of Internal Audit. Representatives from each department are also included in the membership of this group.

3.10. ***Ensuring effective arrangements are in place for the discharge of the monitoring officer function.***

3.10.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The role of Director of Law and Governance is responsible, as Monitoring Officer, for:

- maintaining and keeping under review the Constitution (setting out in particular the bodies and post holders able to exercise, the Council's functions, and the code of conduct for members) and making this widely available to Councillors, officers and the public.
- holding an up-to-date list of authorisations issued by the Directors to other officers under Part 3, paragraph 8.7 and Appendix 3 of the Constitution, authorising other officers to exercise functions delegated to them under the Constitution.
- reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) if they consider that any proposal, decision or omission has given, may or would give rise to unlawfulness or has given rise to any maladministration which has been investigated by the Ombudsman.
- contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council.
- receiving and acting on complaints that a member has breached the Islington Members' Code of Conduct.
- advising whether decisions of the Executive are in accordance with the Policy Framework and the Budget.
- advising Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

3.11. *Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.*

3.11.1. The Head of Paid Service works closely with elected members to deliver the following:

- Leadership: working with elected members to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams.
- Strategic direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected members.
- Policy advice: acting as the principal policy adviser to the elected members of the Council to lead the development of workable strategies which will deliver the administration's objectives.
- Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people.

- Operational management: overseeing financial and performance management, risk management, people management and change management within the Council.

3.12 Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

3.12.1 The Council is committed to the on-going professional development of Members and officers. Upon election, all Members are provided with a corporate induction and offered access to an on-going training and development programme.

3.12.2 Since the local elections in May 2018, training and development has been provided to Councillors on both a group and individual basis. There is an ongoing development programme with a number of dates scheduled for planned training each year. This has included personal development skills based work as well as specific knowledge. Councillors have also attended various conferences and away days as well as specific events put on by the LGA and London Councils.

3.12.3 There is an annual performance appraisal scheme for employees, which links targets to service objectives, underpinning the Council's vision. Through these processes, employees are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain.

3.12.4 New employees attend the Council's corporate induction programme, in addition to which directorate and role specific training is provided where needed. Information on staff training, development programmes and courses available are regularly publicised on the Council's intranet website, IC Bulletin and News Roundup, which includes an induction training course for all new Islington staff and Managers. There is compulsory training for staff on key issues such as equality, data security and health and safety.

3.13 Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

3.13.1 The Council continues to make efforts to improve the risk maturity of the organisation and move towards a more risk aware culture by embedding risk management into business as usual practices. In 2018-19, the Principal Risk Report was enhanced to include the cause and consequence of each principal risk. Workshops were conducted at DMT level and the Council's Risk Manager also supported the Brexit working group. Work is underway to ensure that key service risk registers are more regularly updated.

3.13.2 The Council's Principal Risk Report is reviewed and updated annually and presented to the Audit and Corporate Governance Committee. The process is led by the Council's Risk Manager and Head of Internal Audit, in consultation with risk owners, DMTs and CMB.

3.13.3 The work of Internal Audit, in accordance with their Annual Audit Plans, continues to be directed towards the high-risk areas as identified within the Principal Risk Report and local risk assessments.

3.14 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

3.14.1 The Council's Anti-Fraud Strategy incorporates promotes a zero tolerance approach to fraud and incorporates the Council's fraud response plan. The Council's whistleblowing policy provides a mechanism for suspected fraud including breaches of law, procedure or policy to be reported confidentially.

3.14.2 The Head of Internal Audit has overall responsibility for anti-fraud related activity and reports outcomes of whistleblowing investigations bi-annually to the Audit Committee.

3.14.3 Completed anti-fraud work in 2018-19 produced reports in a number of areas with recommendations to strengthen controls and further mitigate fraud risk.

3.14.4 The Council participates in the National Fraud Initiative. In 2018-19, the Council participated in London Counter Fraud Hub workshops as one of four pilot authorities.

3.15 Ensuring an effective scrutiny function is in place.

3.15.1 The Policy and Performance Scrutiny Committee and the theme based scrutiny committees enable Councillors to scrutinise the performance of the Council and its partners and decisions made by the Executive.

3.15.2 Scrutiny Committees have responsibility for overseeing performance of the service area within their remit. There are four Scrutiny Committees, closely aligned with Council departments as follows:

- Children's Services Scrutiny Committee;
- Health and Care Scrutiny Committee (to cover Public Health and Adult Social Care);
- Environment and Regeneration Scrutiny Committee, and
- Housing Scrutiny Committee.

3.15.3 Policy and Performance Scrutiny Committee acts as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources and is initially responsible for all Councillor Calls for Action.

3.15.4 Each Executive Member is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The Executive Member is accompanied by the relevant Corporate Director. Details are set out in the performance management framework.

3.15.5 Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board.

3.15.6 The Council's scrutiny committees can undertake more in depth research into particular challenges or concerns, and request evidence from other service providers and external organisations.

3.16 Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2013).

3.16.1 The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities and promoting high standards of member conduct.

3.16.2 The Committee meets on at least a quarterly basis. Since its inception, it continues to review and report on the Council's auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes independent members.

3.16.3 The Audit Committee and its two Sub-Committees deal with a range of matters including Council accounts and audit functions, personnel and pension functions.

3.16.4 The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.16.5 The Audit Committee has independent members suitably qualified and trained to support the committee in an advisory capacity.

3.17 Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

3.17.1 Internal Audit assesses the level the implementation of audit recommendations and reports bi-annually to CMB and the Audit

Committee. The External Audit is factored into the work plan of the Resources Directorate and adequate resources are devoted to this. Information needed by the External Auditors is responded to promptly and the Council remains in regular dialogue with the External Auditors throughout the year. The Council's support to and co-operation with External Audit has been commended in the annual ISA260 Report to Those Charged with Governance.

3.18 Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

3.18.1 The Council works in partnership with a wide range of organisations from the statutory sector, third sector and business to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.

3.18.2 The governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements.

3.18.3 Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director having overall responsibility.

3.18.4 Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability arrangements.

3.18.5 Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is usually the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.

3.18.6 Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the

Islington Partnership Board, partners may agree ‘mandatory’ membership from key organisations.

3.18.7 Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB). The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.

3.18.8 Where the partnership involves sharing data then either a contract of an Information Sharing Agreement will be in place

3.18.9 The Health and Wellbeing Board, which includes membership from the Council, Islington Clinical Commissioning Group and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination and integration of commissioning plans to secure best use of resources and population health outcomes.

4 Review of Effectiveness

4.1.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, the Council’s self-assessment (as per 4.2 below) and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Self-assessment

4.2.1 In line with section 5 of the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 (guidance notes), a comprehensive self-assessment was completed in 2018-19 to assess the Council’s effectiveness in applying principles of good governance in practice.

4.2.2 The self-assessment, having been completed for the first time in 2016-17 by key officers across the Council; has been annually updated since. The self-assessment was updated in 2018-19 and indicated that the Council had achieved a sound level of implementation of good governance principles in a number of areas, with some areas requiring improvement. Directorate level self-assessments were also completed.

4.3 External Audit and Inspectorates

4.3.1 The annual external audit of the Statement of Accounts has consistently produced an unqualified opinion with little or no material or immaterial adjustments. The same also applies to the audit of grant claims and returns.

4.3.2 Adult Social Care is subject to a regular Peer Review which functions as an external audit of departmental effectiveness. This is coordinated by London ADASS and the LGA and carried out by peers from other London Authorities.

4.3.3 Adult social care reablement and residential services are subject to statutory Care Quality Commission regulation and inspection.

4.3.4 Children's Services are subject to the statutory inspection regime from Ofsted.

4.4 Internal Audit

4.4.1 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provides an annual audit opinion and report that can be used by the organisation to inform its governance statement.

4.4.2 The Internal Audit plan is developed using a risk-based approach. Internal Audit provide assurance on the actions to mitigate key potential risks through delivery of the audit plan.

4.4.3 The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner. The full summary of the work that Internal Audit has undertaken during the 2018-19 financial year, will be provided in the 2018-19 Internal Audit Annual Report to the Audit Committee.

4.4.4 Audit recommendations made in 2018-19 will be scheduled for follow up in 2019-20 to ensure that management action has been implemented within agreed timescales. This will provide senior management and the Audit Committee with a direction of travel in the internal control environment across the Council and will identify areas where further improvement is required.

4.4.5 Head of Internal Audit's Annual Opinion

4.4.6 The annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2016-17 and 2017-18 was Moderate Assurance.

4.4.7 The work undertaken during 2018-19 has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2019, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-ups in 2019/20. Further detail on audit outputs is provided in the Internal Audit Annual Report.

4.4.8 Regulation 6 of Part 2 of The Accounts and Audit Regulations 2015 requires that relevant bodies conduct, at least once in each year, a review of the effectiveness of the system of internal control. The findings of the review must be considered by the body to ensure that it has the system of internal control required by Regulation 3.

4.4.9 The Head of Internal Audit also concluded that the Internal Audit service continues to be effective, complies with PSIAS, and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders. LB Croydon undertook an independent peer review of Camden's Internal Audit service in May 2016 to comprehensively review the effectiveness of the Shared Internal Audit Service with LB Islington. It concluded that the audit shared service 'fully conforms' with PSIAS which is the highest rating available. In 2017-18 and 2018-19, a PSIAS self-assessment was conducted to ensure continued compliance with standards. The Internal Audit service also benefits from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services). Audit Committee also commission an Internal Audit deep dive, in one area of risk annually. In 2018-19 this area focussed on programmes and transformation.

5 Other areas of Governance and Assurance:

Resources

5.1.1 The Council has a sound process for setting its budget that ensures that estimates are robust and in particular, savings proposals are fully scrutinised to ensure political, managerial and financial deliverability. During 2017/18 an Outcome Based Budget approach was introduced that identified the seven key outcomes the Council seeks to achieve, allocated resources to those outcomes and introduced a framework for future budget setting. This approach was used in 2018/19 to help develop the 2019/20 budget.

5.1.2 The Council's in-year budget monitoring process routinely monitors service financial performance and key risks against the budget and looks to put management action in place to deliver the council's financial outturn within the overall budget. The experience during 2018/19, was that only one department, Environment and Regeneration faced a material spending pressure that could not be contained within the budget. Management action taken in the year did get the net overspend down in the department from £1.5m to £0.6m over the course of the year. As in 2017/18 all departments were asked to look to see what short term actions could be taken to help mitigate the Environment and Regeneration overspend. The result of this concerted action was by the provisional outturn reported in May 2019 the net overall financial position for services in the General Fund was a £1.4m underspend resulting on no need to use the contingency budget.

5.1.3 Since 2010, the Council's budget has been subject to major funding cuts which has resulted in the Council having to make £225m in savings. The Council estimates it will need to close a budget gap of £50m over the three years 2019/20 to 2012/22. As a consequence, the Council in February 2019 approved a 2019/20 budget that included £13.8m savings for 2019/20 together with savings of £8.5m for 2020/21 and £11.4m for 2021/22. The 2019/20 budget included the maximum permissible increase in Council Tax of 2.99%. The Council Medium Term Financial Strategy also includes a further £8m of service efficiency savings which will need to be identified in 2020/21 and 2021/22. There is currently no certainty over local authority funding beyond 2019/20. The government is expected to conduct a spending review during the year and is currently reviewing the funding formula for local authorities and the operation of the business rates retention system.

5.1.4 Delivering robust financial management including financial control and providing high quality financial advice is a key contributor to the Council's strong financial standing. The unprecedented ask of financial management professionals should be considered in the context of a reduction in financial management resources of over 50% since 2010. This inevitably adds more risk to financial management processes. Processes and the organisation of those resources are reviewed regularly to mitigate the risk as much as is possible and focus the reduced resource where they are needed most. Any further material reduction in resource, indeed the loss of key personnel would present a significant corporate risk.

5.1.5 The Council's Housing Revenue Account (HRA) has benefited over a number of years from a robust and funded 30-year business plan and this continues to be the case over the short/medium & long term. The Welfare Reform and Work Act 2016 imposed a requirement for Local Authorities to reduce rents year on year by 1% over a 4 year period commencing in 2016-17, this had a significant adverse financial impact on HRA, to mitigate against this a number of measures were implemented principally involving rescheduling current borrowing over the term of the 30-year business plan,. 2019-20 is the final year of the 1% rent reduction after which the Government have indicated that Local Authorities will be able to increase rents by CPI + 1% at least for a period of 5 years. In October 2018 the Government abolished the HRA debt cap. Whilst this has afforded the Council much greater opportunities to plan to increase the build of more genuinely affordable homes the level of borrowing must be such that it is both prudent and affordable.

People

5.2.1 In March 2019 the Children, Employment and Skills directorate and Adult Social Services (formerly part of the Housing and Adults Social Services directorate) were brought together to form one combined directorate, now known as the People Directorate.

5.2.2 The Corporate Director of People holds the statutory Director of Children's Services (DCS) role. The DCS is supported by a structure which allows the effective discharge of statutory duties with appropriate seniority and experience held at senior management level.

5.2.3 The revised structure and organisational arrangements provide strong accountability, scrutiny, leadership and management grip on the Council's statutory duties for children in need of help and protection, children in care and care leavers, including early help and benefitting from high educational standards locally. Cultural opportunities for children and young people and employment and training pathways are strengthened as a result of employment, skills and culture services integration into the directorate. Strengthened arrangements between children's services and adults services are being developed at pace to ensure there is ever greater consistency and continuity for young people as they become adults.

5.2.4 Accountability meetings with the leader of the Council and the Chief Executive who hold the lead member for Children and Family Services and Service the chair of the Children's Safeguarding Board . These assurance checks are integral to the decision-making processes of the Council.

5.2.5 The quality of work for children in need of help and protection, children looked after and care leavers is scrutinised through Islington's Quality Assurance Framework. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director, the Lead Member for Children and Families and the Director of Specialist and Targeted Services to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.

5.2.6 As part of this quality assurance, external and highly qualified professionals in the field carry out service reviews to benchmark against inspection expectations. There are research links with universities that inform practice, and this has led to an Innovation Grant from the DfE on Motivational Social Work, Doing What Counts, and Measuring What Matters.

5.2.7 An annual self-assessment is carried out. Social worker caseloads, timeliness of interventions and outcomes for children are monitored at all levels and management oversight is good. The quality, value for money and sufficiency of placements for children is kept under review. An evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence-based programmes are in use.

5.2.8 The Islington Safeguarding Children Board (ISCB) has an independent chair who meets periodically with the Corporate Director as part of the accountability framework outlined in paragraph 5.4.7. The ISCB annual report is discussed by the Health and Wellbeing Board (HWB), Children and Families Board (CFB) and the Children and Families' Scrutiny Committee. Both the HWB and CFB reflect on the learning and build ISCB recommendations into their respective strategies. There continues to be a strong focus on Child Sexual and Criminal Exploitation through the ISCB's sub group that leads the partnership on this work. The ISCB also oversees multi-agency audits of practice, training and compliance with safeguarding requirements set out in legislation. The Children and Families' Scrutiny Committee have looked at exclusions in schools and how to achieve best practice in this area to support the health and wellbeing of all children and young people, in addition to the annual report on learning and education standards, an annual safeguarding report and quarterly performance reports are also scrutinised by the Committee.

5.2.9 The Joint Strategic Needs Assessment includes sections on vulnerable children and those in need of help and protection and is used to determine priorities for both the safeguarding board and for services for children and families. Educational outcomes for Children Looked After and care leavers are scrutinised at the Corporate Parenting Board.

5.2.10 The Corporate Parenting Board is co-chaired by the Lead Member for Children and Families and the Chair of the Children Active Involvement Service. It has strong representation from the Children's Active Involvement Service, and the voice of the child is well evidenced in individual casework. Budget and change management proposals are scrutinised for impact on the quality of work with children in need of help and protection, children looked after and care leavers and this is included in Equality Impact Assessments.

Adult Social Care

5.2.11 The Director of Adult Social Care is the statutory DASS, (Director of Adult Social Services) for Islington and reports to the Corporate Director for People. The DASS is responsible for providing professional leadership for all staff involved in delivering the Council's social services functions for adults and across local networks and partnerships involved in the provision of adult social care services. The DASS is also accountable for ensuring that relevant professional and occupational standards and standards of conduct are maintained across adult social care services provided by, or commissioned Islington.

5.2.12 The DASS is responsible for market shaping and continuity: commissioning effectively and ensuring the availability and quality of services that people want in order to be in control of their lives. The DASS holds responsibility for Safeguarding adults needing care and support: from abuse or neglect; when doctors are considering compulsory treatment or admission to psychiatric hospital and/or when people lack capacity to decide and may be restricted of their liberty.

5.2.13 The current structures and organisational arrangements provide a strong accountability scrutiny, leadership and management grip on Islington's statutory duties for vulnerable adults including the duty to provide information, advice and guidance.

5.2.14 Assurance checks are integral to the decision making processes of the Council. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Director of Adult Social Services, the Deputy Leader (who is also Lead Member for Health and Social Care) and the independent Chair of the Safeguarding Adults Partnership Board to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.

5.2.15 The Council has a Safeguarding Adults Partnership Board that meets the current and new requirements for its scope and inclusiveness, chaired by an independent expert in the field who meets with the DASS.

5.2.16 The Safeguarding Adults Board oversees Safeguarding Adults Reviews and the implementation of recommendations arising from these reviews across the partnership.

5.2.17 The quality of social care practice in Adult Social Care is scrutinised through the quality assurance framework. Themes arising from this are reviewed by senior leaders and used to inform training programmes. Islington is a member of the North London Social Work Teaching Partnership, a consortium working to raise standards of social work education and continuing professional development and staff access continuing opportunities.

5.2.18 Approved Mental Health Act Professionals, (AMHPs) are warranted and supervised in line with statutory requirements.

5.2.19 The Council has partnership agreements (known as section 75 agreements) with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group (CCG), for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, outcome focused, joined up services for vulnerable people. There are regular meetings between the Chairs and Chief Executives of these organisations and the Council Leader and Chief Executive, and an annual report to the respective Boards and the Council's Executive to ensure that the day-to-day arrangements for collaborative working are meeting the aims of the partnerships and the objectives of the Council.

5.2.20 These arrangements have been strengthened in the light of the Better Care Fund and greater inter-dependency of health and social care funding. The partnership agreements and governance have been reviewed and refreshed. The Council and the CCG have also reviewed their respective commissioning structures to ensure better integration and accountability. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.

Housing

5.3.1. Housing is responsible for managing council residential tenanted and leasehold properties in the borough, either directly or through Partners for Improvement in Islington as part of the Council's two street properties PFI contracts. A Homes and Estates Safety Board, with an independent chair, oversees the particular fire and property-related risks to people in these dwellings. This is part of the overall corporate health and safety arrangements.

5.3.2. Housing Property Services have effective arrangements to monitor equipment and stock. Arrangements are in place to actively manage the risk of fraud through prevention and detection techniques. Stock control within the repairs service has been audited, with a moderate assurance rating, in April 2017.

5.3.3. The two long term PFI contracts to manage street council housing are managed by a clienting team with governance via senior management meetings with the PFI board and scrutiny via a range of annual audits carried out by the Council's Internal Auditors. In the last year, performance has improved and deductions have been applied where properties have not been up to standard.

5.3.4. The PFI Integration Board has been setup to oversee the programme of work anticipating the PFI2 contract coming to an end 2022.

5.3.5. The relationship with the 23 Tenant Management Organisations in the borough is managed by the TMO compliance team supported by internal audit who run an annual programme auditing TMO financial and governance controls.

5.3.6. Residents are involved in the prioritisation and governance of the Housing Service via reference groups and representation on Housing Scrutiny Committee.

Transformation

5.4.1 The council is adopting a new programme management framework to ensure organisation change is well planned and delivers at pace. The approach is based on MSP methodology, using a gateway process to develop business cases for change. A Programme Delivery Board (PDB), chaired by the Corporate Director, Resources has been established, supported by a Design and Compliance Authority ensuring that new initiatives are technically deliverable and are robust in their proposition. This is where due diligence takes place prior to presentation to the Programme Delivery Board.

5.4.2 All major change projects have a CMB sponsor and an SRO at Service Director level. Highlight reports are produced and reviewed at DMTs or the appropriate cross cutting board, with PDB taking a corporate overview and reporting to CMB.

5.4.3 The Strategy and Change team will provide project support to these change initiatives together with project managers embedded in departments to ensure that appropriate progress is made and linkages and dependencies between projects are picked up. This draws on a wider support network, including financial, ICT, HR, Legal and risk management advice to ensure that barriers to success are identified and addressed.

5.4.4 The project planning process has a strong emphasis on return on investment and service managers are asked to sign off on the level of savings potentially achievable before committing them into spending plans. These are then monitored following project completion to ensure they are delivered.

6 Significant governance issues and areas for improvement

6.1 A key element of the annual governance review process is to identify any significant internal control issues. The Council has adopted the approach recommended by the CIPFA, which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

6.2 There were no significant governance issues that met these criteria during 2018-19. However, the following general issues have been highlighted and, in line with good governance arrangements, will be monitored during the year ahead. These include:

- Development and delivery of the savings programme,
- The anticipated shared digital service arrangements with Haringey and Camden was ceased in 2018/19 to allow all three boroughs to focus on local priorities. There remains a risk that IT projects, which will enable/optimise business transformation across the Council, are not delivered. To this end, baseline analysis of the portfolio of work, service specification, budget due diligence and resource availability will continue to be monitored. A restructure is underway to ensure an appropriate management team is running the service and a new Strategy is being developed,
- Corporate HR currently has interim leadership arrangements in place provided by the substantive Head of Schools HR. It had been recognised that the service required modernisation with service improvements now taking place to redesign the function to allow for better availability of management information, greater automation and self-service. This progress, including enhancements to the payroll function, will be monitored by the Resources Directorate DMT and routine updates will be provided to CMB,

- The Council undertook a programme of work in line with the Information Commissioner’s Guidance on preparing for GDPR. The Council has created an Information Governance Strategy that sets out its commitment to ensuring the Council’s continued compliance to legislation and this will continue to be tracked in the coming year,
- Strong relationships and governance underpin the Wellbeing Partnership. However there remains a risk that health and social care models are financially unsustainable or do not provide adequate quality of care from the Council’s point of view and this will continue to be tracked in the coming year.
- Business continuity arrangements will continue to be monitored.
- Uncertainties and emerging implications surrounding Brexit will be considered.

6.3 In conclusion, it should also be noted that the Council’s Chief Executive retired in April 2019. The process of recruiting a permanent Chief Executive is underway and in the interim, the Council’s Corporate Management Board will provide the necessary senior officer leadership across the organisation. The statutory designation of Head of Paid Service is being undertaken by a member of the senior leadership team.

Signed by: Richard Watts

17 July 2019

Leader | Date

Signed by: [illegible]

17 July 2019

Head of Paid Service | Date

ISLINGTON

Finance and Resources
Newington Barrow Way, London N7 7EP

Report of: The Deputy S151 officer

Meeting of	Date	Ward(s)
Audit Committee	29th July 2019	All

Delete as appropriate		Non-exempt

SUBJECT: Principal Risk Report – Action Update – July 2019

1. Synopsis

1.1. The Council's Principal Risk Report (PRR) was presented to its Corporate Management Board (CMB) and Audit Committee in March 2019. The PRR identifies key risks facing Islington Council, and the actions that we, as an Authority, are taking to mitigate our risks. The PRR is a vehicle for ensuring that the Council achieves its objectives through sound risk management processes. The PRR also includes the actions being taken to mitigate our principal risks.

1.2. On review of the PRR in February 2019, CMB requested updates on actions identified to mitigate principal risks. Audit Committee subsequently requested sight of this update.

1.3. This report provides Audit Committee with an overview of the progress towards completion of the actions identified in the March 2019 iteration of the PRR. Each action has been reviewed and the status updated for Audit Committee's information.

2. Recommendations

2.1 Committee is asked to note the status of actions as included at **Appendix A**.

3. Background

The PRR was reviewed by Directorate Management Teams (DMTs), CMB and Audit Committee during February and March 2019. As part of this review, it was requested that an update be provided on the progress of the actions identified within the report. **Appendix A** provides an overview of the progress towards completion of the actions.

4. Implications

4.1. Financial implications

The programme of work has been met from within the existing Internal Audit budget. The financial implications of individual mitigating actions are met by local budgets.

4.2. Legal Implications .

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

4.3. Environmental implications

There are no environmental implications arising from the recommendations in this report.

4.4. Resident Impact Assessment .

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendations

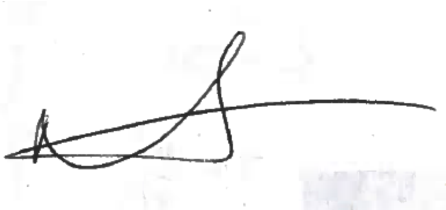
5.1 To note the Principal Risk Action Update attached at **Appendix A**.

Appendices:

Appendix A – Principal Risk Action Update (excel document)

Final report clearance:

Signed by:



Date: 24 July 2019

Mohammed Sajid – Chief Accountant and Deputy S151 Officer

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REPORT ENDS

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Principal Risk Report - Action Update (as at 18th July 2019) **APPENDIX A**

Risk Score*	L	I **	Risk Title	Risk	Actions and potential future controls identified in March 2019	Target Completion Dates	Updated Action Notes	Action Status	CMT Sponsor
20	4	5	Brexit	Disruption to local/council services and supply chains.	Review the output of the Brexit preparedness template data to ensure service risk mitigation is captured in 'business continuity plans' in conjunction with council wider strategy towards Brexit.	End Feb 2019 for completion of all BC plans (on track)	Risk template has been completed by directorates and reviewed frequently.A focus of the BRG going forward will be the financial impact of Brexit on the borough.	Complete	C.Littleton
					Monitor central government guidance.	Ongoing, with weekly briefings	Reporting back to London Councils and MHCLG has been suspended as we're waiting for the outcome of the Conservative leadership contest. This reporting is likely to start again late summer as we approach the 31 October Brexit deadline	In progress/ on-track	C.Littleton
					Monitor London Resilience Group	Ongoing, with weekly briefings	London Resilience have not reconvened and government planning (Operation Yellow Hammer) have not reconvened yet either	In progress/ on-track	C.Littleton
16	4	4	Youth Crime and serious youth violence	There is an increase in crime and in the harm Serious Youth Violence causes. There is a perceived failure to respond adequately to/prevent crime involving young people, despite funding and well publicised plans.	Youth Crime communications plan is being updated in 2019	End of March 2019	This is on going joint piece of work with Community Safety and is reported to LBI Police liaison meeting. Youth and Community are developing a new Youth Crime Bulletin that will be sent to partners from Aug 2019 on a monthly basis.	In progress/ on-track	C.Littleton
					Review of the Working Together for a Safer Islington Plan taking place this year in preparation for a new plan in 2020.	The current plan will be completed by Dec 2019 with writing a new one leading to the launch of the new plan in April 2020	A task and finish group has been established to oversee the review of the Youth Crime prevention plan with strategic leads and VCS, parents and young people reps, a project plan is in place with time frames for completion. Work has started including review of effectiveness of existing services, and contextual safeguarding exercises with 100+ young people to identify their concerns and priorities for change. Public Health have agreed to support a needs assessment to inform the new plan.	Not due for 6 months or more/Ongoing	C.Littleton
12	3	4	Cyber Security	Process Control Networks and/or Critical Information Assets may be compromised	Develop Enterprise Resource Planning, this will introduce more automation. This is important around role based access and is effective in ensuring legacy access is removed as staff move/leave.	April 2021 (subject to project planning)		Not due for 6 months or more/Ongoing	N.Beardmore
					Roll-out training	April 2021 and ongoing (subject to project planning)	Training workshops planned for general competency uplift.	Not due for 6 months or more/Ongoing	N.Beardmore
					Introduce (for approval) a set of CIO authorities which sets out the scope of products and services for which the CIO's approval must be obtain. This will be a significant help in ensuring no 'weak link' components provide new threat vectors for attacks.	01/04/2019 - the "CDIO authorities" have been endorsed by CMD and now being applied to ensure technology related initiatives are subject to appropriate assessment.		Complete	N.Beardmore
					Cyber Breach Exercise planned to test cyber resilience.	Dec-19	New Head of Cyber Sec starts July 2019	Not due for 6 months or more/Ongoing	N.Beardmore
12	4	3	Serious information breach or non-compliance with legislation	The Council does not keep sensitive and/or personally identifiable information secure	Retention and deletion of data on systems is being identified and implemented	Ongoing aiming March 2020	July 2019 - Transferred ownership to J. Cumming	In progress/ on-track	N.Beardmore
					New training provider being identified for Information asset Owner's	End of Feb	New training provider has been identified and the first sessions have been held. More will be arranged later in the year.	Complete	N.Beardmore
					Information Security and Cyber Security Awareness training being identified	Sep-19	July 2019 - Transferred ownership to J. Cumming	In progress/ on-track	N.Beardmore
					Proposed mock ICO Audit to take place in 2021 to review effectiveness of strategy.	2021	This isn't scheduled yet.	In progress/ on-track	N.Beardmore
					Reviewing the roles and responsibilities of the Data Security Working Group and the GDPR Working Group.	Mar-19	We now have an Information Governance Working Group (IGWG) which comprises both groups. New ToR have been written and the first two meetings have been held (third due to be held on 11 July).	Complete	N.Beardmore
					Monitoring of ICO guidance and revision to guidance and templates	As required	Annual update of policies has taken place and changes made as required. No updated guidance has been released from ICO to date that has required extensive updates but we are constantly monitoring this through newsletters etc.	In progress/ on-track	N.Beardmore
12	3	4	Response and resilience	There is a risk we are not able to recover critical internal processes or respond effectively to a major incident following a disruptive event (internally/externally) within a suitable timeframe	Implement outstanding actions arising from the audit of business continuity including the need for critical services to have appropriate out of hours arrangements to respond to incidents	01/06/2019 - new date being agreed	Delay has occurred in agreeing out of hours arrangements with services during changes in senior management . This has now been resolved and actions back on track,	In progress/ on-track	Kevin O'Leary
					Connect the emergency generator and ensure it is fully functioning (Shared Digital Services /Public Realm/Facilities)	Sep-19	The complexity of the project has led to a review of the lead service and the intention is to reassign to Emergency Planning (Dan Lawson) and Facilities (Martin Bevis). Proposed end date of Dec 2019	In progress/ on-track	Kevin O'Leary
					Resources need to kept under review as we work to comply with the London Resilience Forum standardised model	Jan-20	On going progress is being made towards EP2020	In progress/ on-track	Kevin O'Leary
					Complete 4 BCP exercises including testing of a Cyber Attack and serious incident affecting housing stock.	Dec-19	Original exercises held in abeyance and replaced with BC testing relating to Brexit risks. Exercise programme dates have been shifted, aiming to carry out 4 by Apr 2020	In progress/ on-track	Kevin O'Leary

12	3	4	Safeguarding Adults	Failure to fulfil our statutory obligation to identify or respond to significant preventable harm to adults at risk of abuse	There is Longer term ambition to source an IT solution for Mental Health recording. The Mental Health Trust would like to have one recording system for C&I, Camden and Islington councils. Any shared system will need to be agreed by all organisations involved as there are potential risks to LBI in changing our LAS module for a more generic system that meets the reporting needs of all three organisations. On top of the preliminary investigations to assess the appetite and suitability of a shared system the development of any new system will need time to ensure time for testing and bug fixing.	Sep-20		Not due for 6 months or more/Ongoing	C.Littleton
					There will be an Audit Safeguarding Adults and Mental Health undertaken by Internal Audit.	End 2019		Not due for 6 months or more/Ongoing	C.Littleton
12	3	4	New build Housing	Delay or Inability to deliver the New Build Programme, quality, time and cost.	Funding resource for planning officers	Jul-19	Recruitment completed and substantially in post.	In progress/ on-track	M.Holdsworth
					We submitted a bid to the GLA in January 2019 through the Homebuilding Capacity fund to fund more Planning and Development Managers	Announcements in Spring 2019	Funding bid partially awarded - revised spend in discussion with GLA	In progress/ on-track	M.Holdsworth
					Reviewing how the team operates to identify improvements, one of the potential changes include appointing a Service Director for the New Build programme	Apr-19	Service Director in post, service development planning underway including establishment of PMO / commercial and technical design roles	In progress/ on-track	M.Holdsworth
					Develop communications strategy Implement the remaining action plan recommendations.	May-19	Communications strategy in place with key messages across program.	In progress/ on-track	M.Holdsworth
					Develop communications strategy Implement the remaining action plan recommendations.	Oct-19	Communications strategy in place with key messages across program.	In progress/ on-track	M.Holdsworth
12	3	4	Financial Strategy	The Council fails to balance the Council's budget over the medium term – including making cash savings.	We will respond to the government funding consultations.	21-Feb-19	The Council responded to the Consultation on time. We continue to lobby through SLT and London Councils. At present the risk remains as the Government is yet to make a decision. The Council has highlighted this risk in the MTFS and potential scenarios are being modelled to ensure the MTFS reflects this risk.	In progress/ on-track	S151 officer
					Embedding the PMO, this includes a training programme defined in the P3M training framework, which includes project and risk management training.	Sep-19	Training has been procured by the PMO - ongoing action	In progress/ on-track	S151 officer
10	2	5	Safeguarding Children	Ineffective protection of children and parents	Develop action plan from recent Joint Targeted Area inspection [held December 2019] and published in January 2019	End of March 2019	The JTAI action plan is in place, it is multi agency and being monitored through the ISCB	In progress/ on-track	C.Littleton
					Continue to adhere to Quality Assurance Framework and to report regularly to Safeguarding Accountability Meeting and Scrutiny panel as necessary	Ongoing	All QA and monitoring processes continue to be in place. Self Evaluation [as required by Ofsted] was completed in December 2018 and presented to Annual Engagement Meeting with Ofsted in January 2019. No further actions or developments identified by ofsted.	In progress/ on-track	C.Littleton
10	2	5	Serious Health and Safety	Serious Health and Safety incident in the council's housing stock	Liaison with LFB and MHCLG to ensure we are on top o	Ongoing	Ongoing scrutiny of compliance via Homes & Estates Safety Board.	In progress/ on-track	M.Holdsworth
					Engagement with government consultation on delivery of Hackitt recommendations, expected this spring.	Jun-19	Awaiting consultation	Delayed	M.Holdsworth
9	3	3	IT Delivery and transformation	We do not deliver IT projects which will enabl	Our IT Business Plan will be presented to CMB in March	Mar-19	Business Plan endorsed by CMB in March. Public version is in link.	Complete	N.Beardmore
					The Business Plan includes a functional review of our in-house capabilities; the proposed sourcing arrangements to engage external expertise; and the identification of critical infrastructure that is at or close to end-of-life. To support this, a set of appropriate architectural principles and guidelines will establish the roadmap for the remediation programme. Key roadmap decisions include the adoption of the Microsoft suite of products (including MS Project Server) to enable integration as well as the initiation of an ERP programme to underpin our core HR, Payroll and Finance functions. The budget is still being unravelled from the Shared Digital arrangement but it is clear that there will be budget pressures which will potential limit the rate of progress.	Infrastructure remediation will be planned subsequently and as resources and funding allows. Completion of all critical (out of support) remediation by August 2020.	New organisation in place and new functions being established. Financial situation at transfer from SD is OK. However, growth in user numbers and demand for digital training represent the largest cost pressures. Projects to exit Windows 7, Sharepoint 2010, ISDN telephony and other critical infrastructure are aggressive but on track	Not due for 6 months or more/Ongoing	N.Beardmore

9	3	3	Change Programme Delivery	Failure to implement change projects	Continued embedment of the PMO	Ongoing	Monthly DMT and CMB sessions running since April to review highlight reports New business cases reporting through to DMTs and through to PDB for approval first Delivery Executive held in July with Leader and Lead Member to update on the programme.	In progress/ on-track	N.Beardmore
					The above includes a training programme defined in the P3M training framework, which includes project and risk management training Training Programme now underway, with first masterclasses delivered. Communications to go round on the online training module in the week of 25/2/19. Introducing Office Project Online, to support governance and management process	Mandate for investment will go to Programme Delivery Board in March, and if agreed will aim for implementation in June	training programme underway including online and face to face elements, and open to PMs across the council. Project Online implementation - first test expected at end of September 2019. In the interim highlight reports produced manually.	In progress/ on-track	N.Beardmore
8	2	4	Welfare Reforms	Cannot efficiently collect rent following introduction of Universal Credit (UC) when housing support is paid directly to the claimant. Evictions and homelessness may also increase.	We are working to introduce direct debit payment options for our tenants across the month and staff have been trained as Digital Champions, which will include support to those who require it to navigate Universal Credit.	Jan-20	Working towards upgrading our Housing Management system. Some issues with the new version and process failure, working closely with IDS and Northgate to resolve	In progress/ on-track	N.Beardmore
					Develop further UC and refresher training rolling programme.	Jul-19	Further training has been rolled out, including to staff at BrightStart centres. Income staff have received additional training	Complete	N.Beardmore
					Reviewing our triage model at 222 Upper Street, along with our personal budgeting and digital support (in conjunction with DWP and Citizens Advice).	Aug-19	Review conducted and new service began early May. We are expanding on this service to make it as effective as possible, comms plan in place - launching a further face to face offer linked to UC/ Debt/ Rent arrears	In progress/ on-track	N.Beardmore
					Scrutiny of Housing Benefit data through Policy in Practice to identify those most at risk from migration to UC, including families with children turning 5.	May-19	Regular programme of letters to those with young children and at risk of migration. Letters sent quarterly, currently analysing results of first two mailings	In progress/ on-track	N.Beardmore
					Liaison with partners organisations ongoing including engagement with pilots and lessons learned' events.	Service development roll out 2019/20.	Continuing to develop relationships with partners, incl information sharing where possible	In progress/ on-track	N.Beardmore
8	2	4	Health and Safety	Significant Health and Safety Incident	Audit arranged with British Safety Council to review the Council's health and safety management arrangements.	Apr-19	British Safety Council audit completed and initial feedback presented to CMB 9/6/19. Action plan to be drawn up and presented to CMB 20/8/19, All of the actions currently in the action log will be covered along with the other BRE recommendations. Timescales will be included in the draft action plan. Review of drug & alcohol testing policy underway, due to complete September 19.	In progress/ on-track	M.Holdsworth
					Working group (HR and H&S) reviewing on-boarding process to ensure staff with complex needs are adequately provided for.	Jun-19	As above	In progress/ on-track	M.Holdsworth
					Asbestos module testing to be completed.	Aug-19	As above	In progress/ on-track	M.Holdsworth
					Health and Safety policy to be reviewed and presented to CMB	May-19	As above	In progress/ on-track	M.Holdsworth
					Annual health and safety performance report to CMB	May-19	As above	In progress/ on-track	M.Holdsworth
					Audit of D&T audit in secondary schools to be commissioned in the next academic year	Start September 2019	As above	In progress/ on-track	M.Holdsworth
8	2	4	Contract Management	Significant contractor failure/contractors failing to deliver within the agreed parameters (Quality, cost and schedule)	Implementing audit recommendations, this includes: Reviewing above guidance, Strategic Contact Management provision (toolkit standard guidance and documents).	Finished by end 18/19 financial year	Contract Management Guidance (updated), Decommissioning Guidance (updated), contract management plan (new), contract continuous development plan (new), Contract due diligence letter (new), Supplier meeting agenda (new), Poor performance letter (new), Contract extension letter (updated), contract amendment (new), Existing Contractor Re-tender (updated). Audit currently being undertaken.	Complete	N.Beardmore
					Allocating a Senior Manager and Manager under the Head of Service to provide Strategic Contract Management advice and contract financial assurance (operational contract management to remain within services).	End of quarter one 2019/20	A wider review of deploying resources and a host of additional requirements have been placed on the team. A report has been drafted which has been shared with senior management for how this is to progress.	Delayed	N.Beardmore
					Strategic Procurement facilitating and co-ordinating under the SCPG actions to obtain best practice across the organisation and develop this into guidance, forms and templates for use at the end of the Procurement Toolkit.	End of quarter one 2019/20	A year long review took place with Supply Chain Practitioners Group across the Council coordinated by Strategic Procurement. Information passed to the auditors and awaiting recommendations.	Complete	N.Beardmore
					Commissioning and Procurement Board – To identify a schedule of contracts from which to receive/challenge information on contract management by Commissioning and Procurement Board.	Compile list by end Q1 and commence review in Q2.	Attached spend report and contract breakdown. Report went to Resources Management Team (RMT) 4 June 2019 and will go across the Council at Commissioning and Procurement Board (CPB) 27 June 2019. Reports to be decided in due course.	In progress/ on-track	N.Beardmore
					Commissioning and Procurement Board – To review contracts over £500k p/a where there are points of optional extension for justification of action to be taken.	Done in conjunction with above.	Attached spend report and contract breakdown. Report went to Resources Management Team (RMT) 4 June 2019 and will go across the Council at Commissioning and Procurement Board (CPB) 27 June 2019. Reports to be decided in due course.	In progress/ on-track	N.Beardmore
					Providing training to ensure new guidance is understood	Roll-out planned Q2 2019/20 financial year.	Training has been commissioned, awaiting scheduling from trainer. Expected by end of 2019.	In progress/ on-track	N.Beardmore

4	2	2	Serious Fraudulent Activity	Serious Fraud or corruption	Refreshing the terms of reference and reporting route for Fraud Forum in March 2019 to ensure the forum' benefits are clearly defined and delivered.	Summer 2019	The Fraud Forum has not been delivering original objectives and Housing Investigations (who lead the forum are reviewing the way forward in consultation with Internal Audit - Investigations).	Not due for 6 months or more/Ongoing	S151 officer
					Review the resourcing of the Corporate Investigations with a view to potentially increasing resource to improve our ability to pro-actively manage fraud.	Summer 2019	Resourcing of investigations is being considered as part of the savings programme.	Not due for 6 months or more/Ongoing	S151 officer
					HR to roll-out fraud training.	Summer 2019	HR and Internal Audit-Investigations will review the training module in July/August 2019 ahead of HR launching the training.	In progress/ on-track	S151 officer
					LCFH provides alerts of potential fraud for our further investigation.	Ongoing, as alerts come in	The LCFH has not gone live yet so alerts are not being received.		CMB

* Risk scores were agreed by the Corporate Management Board (CMB) in March 2019, the scores reflect the risk after the application of existing controls.
** An impact matrix can be seen at the 'impact matrix' tab below

Impact Ratings	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple deaths or serious/life-changing non-recoverable injury(s)/extreme safeguarding alerts likely.	Long term damage – e.g. Adverse national or local publicity, highly damaging severe loss of public confidence. Widespread and high level of criticism. Impacts on staffing and recruitment.
4	Financial loss above £8m.	Major disruption of a critical service.	Multiple casualties with recoverable injuries. Major safeguarding concerns potentially affecting multiple people. Evidence of known sustained neglect or abuse without intervention.	Medium to long term damage – e.g. Adverse local, regional or national publicity, major loss of confidence, a matter that is frequently referenced in relation to the council.
3	Financial loss above £6m.	Major disruption of an important service. Moderate disruption of a critical service.	Noticeable safeguarding risks – evidence of known neglect or abuse without intervention.	Medium term damage – e.g. Adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m.	Moderate disruption of an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks – evidence of neglect.	Short term damage – e.g. Adverse publicity, national follow-up stories on the same issue.
1	Financial loss above £1m.	Brief disruption of an important service. Repeated disruption of a core service.	Medical treatment required, semi-permanent harm, up to 1 year. Safeguarding concerns of neglect.	Short term damage – e.g. Adverse publicity, regional follow-up stories on the same issue.

Islington Council - Principal Risk Impact Matrix

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