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**AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)**

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Members of the Audit Committee and Audit Committee (Advisory) are summoned to a meeting, which will be held in Committee Room 4, Town Hall, Upper Street, N1 2UD on, **22 September 2015 at 7.30 pm.**

**John Lynch**  
**Head of Democratic Services**

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Despatched : 14 September 2015

Membership

Councillor Satnam Gill (Chair)  
Councillor Olly Parker (Vice-Chair)  
Councillor Raphael Andrews  
Councillor Richard Greening  
David Bennett

Substitute Members

Councillor Alex Diner  
Councillor Clare Jeapes  
Councillor Robert Khan  
Councillor Alice Perry

**Quorum: is 3 Councillors**



## A. Formal Matters

Page

1. Apologies for Absence
2. Declaration of substitute members
3. Declarations of interest

If you have a **Disclosable Pecuniary Interest\*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

**\*(a) Employment, etc** - Any employment, office, trade, profession or vocation carried on for profit or gain.

**(b) Sponsorship** - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.

**(c) Contracts** - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.

**(d) Land** - Any beneficial interest in land which is within the council's area.

**(e) Licences**- Any licence to occupy land in the council's area for a month or longer.

**(f) Corporate tenancies** - Any tenancy between the council and a body in which you or your partner have a beneficial interest.

**(g) Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to **all** members present at the meeting.

4. Minutes of previous meeting 1 - 4

## B. Items for Decision - Audit (Advisory) Committee

1. Internal audit annual report 5 - 22
2. Annual Report on Standards and Member Conduct 23 - 26

3. Principal Risks - Interim Risk Management Update 27 - 38

**C. Items for Decision - Audit Committee**

1. Statement of Accounts 2014-15 (including Pension Fund Accounts) and Annual Governance Reports, including KPMG report 39 - 236
2. Polling District Review 237 - 242
3. London Scale of Election Fees and Expenses 243 - 246
4. Review of Voluntary Redundancy Scheme 247 - 258
5. Termination Payment Policy 259 - 280

**D. Urgent non-exempt items**

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

**E. Exclusion of press and public**

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

**F. Exempt items for Information**

1. Termination Payments Policy Exempt Appendix 281 - 282

**G. Urgent exempt items (if any)**

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Audit Committee and Audit Committee (Advisory) will be on 28 January 2016

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London Borough of Islington

## **Audit Committee and Audit Committee (Advisory) - 4 June 2015**

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 4 June 2015 at 7.30 pm.

**Present:**           **Councillors:**           Satnam Gill (Chair), Olly Parker (Vice-Chair), Raphael Andrews and Richard Greening.  
**Also Present:**       **Independent member:**       David Bennett

### **Councillor Satnam Gill in the Chair**

- 43        **APOLOGIES FOR ABSENCE (Item A1)**  
Councillor Greening submitted apologies for lateness.
- 44        **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**  
None.
- 45        **DECLARATIONS OF INTEREST (Item A3)**  
None.
- 46        **MINUTES OF PREVIOUS MEETING (Item A4)**  
**RESOLVED**  
That the minutes of the meeting of the Audit Committee and the Audit Committee (Advisory) held on the 24 March 2015 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.
- The Committee noted that the statistics regarding the number of residents who had been prevented from registering as they had no national insurance number would be reported when available.
- 47        **KPMG REPORTS (Item B1)**  
The Committee noted that there would be a change in accounting policy in relation to the measurement of transport infrastructure assets from 2016/17. It was not known what changes would be involved at this early stage.
- There was to be a reduction in the planned audit fee although there would be no change in the service provided. This was partly due to the retendering of remaining work and a reduction in the price of these audits.
- RESOLVED** that the annual audit fee letter for 2015/16 from KPMG be noted.
- 48        **DRAFT ANNUAL GOVERNANCE STATEMENT (Item B2)**  
The Committee noted that the whistleblowing policy had been updated in March 2014 and the Audit Committee received an annual report from the Standards Committee which was responsible for Members Code of Conduct. The Audit Committee was due to receive these reports at the next meeting.
- Members considered that the Audit Committee members required more regular training. Members considered that more detail be provided regarding the clear channels of communication with the community and other stakeholders.

## Audit Committee and Audit Committee (Advisory) - 4 June 2015

**RESOLVED** that

- a) A whistleblowing policy update and Standards Committee Annual report be submitted to the next Audit Committee in September.
- b) That additional training for Audit Committee members be reviewed and reported back to the next meeting.
- c) Further detail be provided regarding the channels of communication for the community and other stakeholders.

### 49 **MEMBERSHIP, TERMS OF REFERENCE AND DATES OF MEETINGS OF AUDIT AND THE AUDIT (ADVISORY) COMMITTEE (Item C1)**

**RESOLVED** that the membership appointed by Council on 14 May 2015, terms of reference and dates of meetings of the Audit and Audit (Advisory) Committee for the municipal year 2015/16 as set out in Appendix A be noted.

### 50 **AUDIT COMMITTEE APPOINTMENTS (Item C2)**

#### **A. Pensions Sub-Committee**

**RESOLVED**

- a) That the size of the Sub-Committee and the Terms of Reference be confirmed.
- b) That the following members be appointed to the Pensions Sub-Committee for the municipal year 2015/16

<b>Members</b>	<b>Substitute members</b>
Richard Greening (Chair)	Alice Perry
Andy Hull (Vice-Chair)	Jean-Roger Kaseki
Mick O'Sullivan	Alex Diner
Rupert Perry	Paul Smith

- c) That Councillor Greening be appointed Chair and Councillor Andy Hull be appointed Vice-Chair of the Pensions Sub-Committee for the municipal year 2015/16 or until a successor is appointed.

#### **B. Personnel Sub-Committee**

**RESOLVED**

- a) That the size of the Sub-Committee and the Terms of Reference be confirmed.
- b) That the following members be appointed to the Personnel Sub-Committee for the municipal year 2015/16

<b>Members</b>	<b>Substitute members</b>
Satnam Gill (Chair)	All other Executive members
Richard Watts	
Andy Hull	
Troy Gallagher	

- c) That the Vice-Chair be appointed at the next meeting of the Audit Committee.

**C. Pension Board**

**RESOLVED** that

- a) That the terms of reference of the Board be amended to permit the appointment of a substitute in respect of a member of the Board who is appointed to represent pensioner members of the LGPS.
- b) To appoint Marion Oliver as pensioner member representative and Thelma Harvey as a substitute pensioner member representative for a 3 year term.
- c) To confirm the following existing appointed members are appointed for a 4 year term:-
  - i) Vaughan West, GMB as a member representative
  - ii) Mike Calvert, Unison as a member representative
  - iii) David Bennett – as Independent member
  - iv) Bob Anderson – HR Director Elliot Foundation as employer representative
  - v) Maggie Elliott – Chair of Governors at Montem School as employer representative.
- d) To note the appointment of Councillor David Poyser as a member of the Board by the Council and to appoint him as Vice-Chair of the Board.

**51**

**TERMINATION PAYMENTS (Item C3)**

The Committee noted the recommendations made by the Policy and Performance Scrutiny Committee. Members considered that further information was required regarding the sums involved and what sums were included in the total cap figure. It was noted that compensation payments would be in line with current contracts.

**RESOLVED** that

- a) The recommendations from the Policy and Performance Scrutiny Committee be noted;
- b) A further report be submitted to the Audit Committee in September to include more detail regarding the legal, human resources and financial implications of the recommendations and also to include further detail regarding the sums involved in the cap figure broken down into annual leave payments, pension payments, redundancy payments, pay in lieu of notice and any other relevant payments or costs (including pension strain).

The meeting ended at 8.00 pm

**CHAIR**

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Report of: **Head of Internal Audit**

Meeting of	Date	Ward(s)
Audit Committee	22 <sup>nd</sup> September 2015	

Delete as appropriate		Non-exempt
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## **SUBJECT: Internal Audit Annual Report 2014/15**

### **1. Synopsis**

- 1.1. The provision of a continuous internal audit service assists the Council in providing assurance on the control environment that supports the delivery of the Council's Strategy.
- 1.2. This report summarises the work that Internal Audit has undertaken during the financial year 2014/15, identifies the key themes that we have identified across the authority, and also highlights how responsive management have been in implementing recommendations.

### **2. Recommendations**

- 2.1. To note the content of this report and the information provided in Appendix A.

### **3. Background**

- 3.1. The provision of a continuous internal audit service assists the Council in ensuring it has an effective control environment and so supports the delivery of the Council's services.

3.2. The Internal Audit Programme (Annual Plan) was approved by this Committee in April 2014. The findings from the execution of that work programme are attached as Appendix A.

## 4. Implications

### 4.1. Financial implications

The programme of audit work was met from within the existing Internal Audit revenue budget

### 4.2. Legal Implications

The Council has a duty to maintain an adequate and effective system of internal audit in accordance with proper internal audit practices (regulation 6 Accounts and Audit Regulations 2003, amended 2006 and 2011). Due regard must be had by the Council to the CIPFA code of practice for internal audit and Public Sector Internal Audit Standards (PSIAS).

### 4.3. Resident Impact Assessments

There are no direct Resident Impact Assessment implications arising from the recommendations in this report.

## 5. Conclusion and reasons for recommendations

This report indicates the level of work being undertaken by Internal Audit in order to provide assurance over Islington's control environment.

Final Report Clearance

**Signed by**



7 September 2015

Corporate Director of Finance

Date

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# London Borough of Islington

## Internal Audit Annual Report

**2014/15**

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# 1. Introduction

## 1.1. Purpose of this report

This report summarises the work that Internal Audit has undertaken during the financial year 2014/15 and provides details on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority.

## 1.2. The Role of Internal Audit

The role of Internal Audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal Audit is therefore a key part of the Council's assurance cycle and is just one of the sources of assurance available to the Council and Audit Committee.

Each year, we seek to adapt and enhance our approach in order to take in to account the Council's risk profile and changes in the system of internal control to ensure that our work remains focused on the areas of high risk and seeks to avoid duplication of effort, where there are other sources of assurance in operation, for example, external audit and Ofsted.

## 1.3. Overview of the Internal Audit Approach

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. As such, this report also presents the annual opinion in respect of the adequacy and effectiveness of the organisation's system of internal control. The opinions provided in this report are based on the work completed by the in-house team across the Cross Council Shared Audit Service (with Camden) and our internal audit contractor, PWC.

We generally undertake individual projects with one of two objectives in mind:

- **Assurance Reviews:** The majority of projects are geared towards providing assurance to management on the operation of the Authority's system of internal control.
- **Specific Advice reports:** Other projects are geared more towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible.

We also undertake:

- **Compliance Audits:** We assist in the review of financial related regulations that the Council needs to comply with. This includes establishment audits (e.g. Schools, Tenant Management Organisations) and grant audits.
- **Proactive Anti-fraud and Forensic Reviews:** The internal audit work covers investigations into "internal" instances of suspected fraud, proactive anti-fraud work, and other activities, such as CAATs analysis, National Fraud Initiative (NFI) support, and training and awareness. The work delivered supplements investigative work undertaken by dedicated housing benefit and blue badge fraud teams in the council.

All audit reports include recommendations and actions agreed with management that will, if implemented, further enhance the control environment and the operation of the controls in practice. We formally follow up all of our work within 12 months of issuing a final report to monitor the levels of implementation of agreed actions.

## 1.4. Overview of work done in the year

The original Audit Plan for 2014/15 was approved by the Audit committee in April 2014. We have continued to communicate closely with senior management to ensure that the audit reviews undertaken represent a focus on high risk areas, in the light of new and ongoing developments in the authority to ensure the most appropriate use of our resources. The final number of projects delivered was 35 after taking into account projects which were cancelled or deferred to 2015/16, requests for new (unplanned) projects by service management, and Internal Audit support given to Fraud and Risk colleagues. The results of the key performance indicators measuring the performance of the internal audit section for 2014/15 can be found on page 9.

## 1.5. Internal Audit Opinion

The Head of Internal Audit is satisfied that the work undertaken during 2014/15 enables him to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31<sup>st</sup> March 2015, it is the Head of Internal Audit's opinion that the adequacy and effectiveness of the Council's arrangements is as follows:

<p><b>OVERALL OPINION</b></p>	<p><b>Moderate Assurance</b> – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific systems or processes, and none of the individual assignment reports have an overall classification of critical risk*. This opinion has been derived from consideration of the detail below.</p>
<p><b>CONTROL</b></p>	<p>Generally, the Council has sound systems of control in place. 22 (69%) of the 32 audits undertaken in the year with an assurance rating opinion, provided positive messages with 'substantial' or 'moderate' levels of assurance as to the adequacy and effectiveness of the internal control environment, while the number of reports providing a 'limited' or 'no' assurance was 10 (31%). In comparison, our 2013/14 annual report also gave positive assurance in 69% of reports with controls opinions, and negative assurance in 31% with 'limited' or 'no' assurance ratings.</p> <p>Action plans agreed by management to implement audit recommendations are expected to result in control improvements and progress against these plans will be tested in scheduled follow up reviews which will be reported to future Audit Committees in the 2015/16 year.</p> <p>Our findings on the key themes in 2014/15 are set out below.</p>
<p><b>RISK</b></p>	<p>In 2014/15, a refreshed council-wide approach to risk management was designed and implemented to proactively identify threats that need to be minimised and opportunities that should be maximised in a consistent and proportionate manner. This has resulted in a new framework capturing key strategic, operational and programme/ project risks resulting in a more enterprise-wide and dynamic approach. Key aspects of the new approach have included the development of a top-down (CMB-owned risks) and bottom-up approach (service-owned risks) to risk management including the identification of 11 key principal risks facing the Council as identified by CMB and senior management across each Department. Further advancements have included aligning transformational programmes with industry standard programme risk management to help optimise the success of any change initiatives as well as ongoing support to various parts of the Council in terms of risk awareness training. Going forward, tools for training for all officers will be made available and risk reviews will take place each divisional management team every six months prior to CMB and Audit Committee to help integrate and embed effective risk management within the culture of the Council.</p>
<p><b>GOVERNANCE</b></p>	<p>Our work within Departments and through attendance at the Audit Committee over the year has not identified any significant issues with the Council's overall governance framework.</p>

\*The "no assurance" report detailed 2.2 was subsequently increased to "limited" on follow up (see detail at page 7)

## 1.6. Report Assurance Ratings by Service Area

Service Area	Substantial Assurance	Moderate Assurance	Limited Assurance	No Assurance	Not Rated (Mgmt Letters)	Total
Cross-Cutting/Corporate Review	1	2	3	-	1	7
Chief Executive's Office	1	1	-	-	-	2
Environment and Regeneration	-	2	-	-	-	2
Housing and Adult Social Services (HASS)	-	2	2	-	-	4
Children's Services (Non-Schools)	-	1	-	-	2	3
Children's Services (Schools)	-	7	3	1*	-	11
Finance and Resources (including DST)	-	5	1	-	-	6
<b>Total</b>	<b>2</b>	<b>20</b>	<b>9</b>	<b>1*</b>	<b>3</b>	<b>35</b>

\* follow up of recommendations subsequently undertaken now shows control environment to be indicative of limited assurance – see p7.

## 2. Key themes identified in 2014/15

### 2.1. Fundamental and Key Financial Systems

Each year Internal Audit carries out reviews of the Council's fundamental financial systems. This process allows External Audit (KPMG) to place reliance on the work performed by Internal Audit. It also allows Islington to limit External Audit fees spent on reviewing the authority's activities.






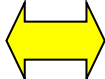

















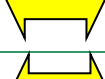













In the 2014/15 year we have expanded our understanding of the processes currently scheduled for testing by refreshing our knowledge of the authority's key financial systems to ensure we are addressing the risks faced at the current time. We did this by holding workshops for all of the key financial areas listed below, remapping and reconfirming key controls with management.

The key financial systems reviewed during this audit were:

- Cash Management
- Payroll
- Accounts Payable
- Accounts Receivables – Sundry Income
- Housing Benefits
- Council Tax & NNDR
- Parking
- Abacus (Home Care Payments)
- Estates Parking
- Treasury Management
- Softbox

The systems above represent the Council's fundamental financial systems. Council Tax, NNDR, Parking and Sundry Income represent a large component of the Authority's revenue; whilst Payroll, Accounts Payable and Housing Benefit represent the most significant proportion of the Authority's revenue expenditure.

The 2014/15 overall opinion rating for the fundamental systems was 'moderate' assurance, which is an improvement from the assurance opinion of "limited" in 2013/14. Generally, the key controls in the Council's key financial systems continue to operate effectively based on the sample testing performed. The direction of travel across the systems can be summarised as follows:

Department	Overall Opinion – 2014/15		Overall Opinion – 2013/14		Direction of Travel	
<b>Accounts Payable</b>	Limited Assurance		Limited Assurance			Assurance not increased to moderate due to two high priority findings raised in 2013/14 which have not been addressed (see below)
<b>Payroll</b>	Moderate Assurance		Moderate Assurance			One high rated control design finding relating to payroll system access was raised in the review (see below)
<b>Accounts Receivables – Sundry Income</b>	Substantial Assurance		Moderate Assurance			
<b>Estates Parking</b>	Substantial Assurance		Moderate Assurance			
<b>NNDR</b>	Substantial Assurance		Substantial Assurance			
<b>Housing Rents</b>	Substantial Assurance		Substantial Assurance			
<b>Treasury Management</b>	Substantial Assurance		Substantial Assurance			
<b>Cash Management</b>	Substantial Assurance		Substantial Assurance			
<b>Housing Benefits</b>	Substantial Assurance		Substantial Assurance			
<b>Council Tax</b>	Substantial Assurance		Substantial Assurance			
<b>Parking</b>	Substantial Assurance		Substantial Assurance			
<b>Abacus (Home Care Payments)</b>	Substantial Assurance		Substantial Assurance			
<b>Softbox</b>	Moderate Assurance		Not tested in prior year			

Further detail can be found on page 14.



## 2.2.No Assurance Reports

### a) Thornhill Primary School

The original audit was completed in February 2015 and attracted a 'no' assurance rating with 18 recommendations (two critical, seven high, eight medium and one low priority) made and accepted by management. Findings related to:

- The purchase of alcohol using the school disbursement account and excessive use of the schools debit card;
- Collection of Nectar card reward points for personal use
- Design and management of the staff reimbursement process;
- Use and control of cheque payments;
- The recording and collection of school income;
- Letting and management of contracts;
- Debit card expenditure and operation, and
- Debt management and collection arrangements.

A follow up exercise was completed in June 2015. It should be noted that the recommendations have been followed up within a shorter timeframe in order to assess the progress the school has made in addressing the control weaknesses previously identified. As a result of the rate of implementation of recommendations, the level of is now indicative of a '**limited**' assurance rating, which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up. Internal Audit will undertake a second follow-up exercise during the 2015/16 Autumn Term to assess the extent to which the one outstanding and four partially implemented recommendations have been implemented. Additionally, the two previously unassessed recommendations will be examined to establish the extent of implementation.

## 3. Management's response to implementing audit recommendations

### 3.1.Non-IT follow Ups

Progress in implementation of recommendations made in 2013/14 reports has been monitored by completion of follow up audits on all high risk recommendations made. This exercise has confirmed that of the 41 high priority recommendations made in 2013/14, 36 have been either fully or partially addressed and controls improved where appropriate. The remaining five outstanding high priority recommendations relate to Planning/S106/Building Control detailed below.

Out of 41 follow ups undertaken, 13 related to reports which were originally rated as limited assurance. Of these 13, audit follow up testing concluded that due to the high level of implementation of recommendations, the assurance level could be increased to moderate for eleven reports:

- Purchase Cards
- Cash Management
- Bribery Act
- Parking E-Permits
- Trade Refuse
- Accessible Transport
- Legal Proceedings
- No Recourse to Public Funds (NRPF) Service
- Ambler Primary
- St Andrew's Primary
- Islington Boat Club

The following two reviews remained at limited assurance:

Department	2013/14 Audit Title	Original Assurance Rating	Revised Assurance Rating	Outstanding Recommendations
E&R	Planning/S106/ Building Control	Limited	Limited	<p>Follow up of reports originally issued in 2011/12. Originally 31 recommendations were made, of which 15 were high priority, 13 medium and 3 low). All three areas remain limited, with the following remaining outstanding:</p> <ul style="list-style-type: none"> <li>• 5 high priority recommendations</li> <li>• 2 medium priority</li> <li>• 2 low priority</li> </ul> <p>The outstanding recommendations relate to, or are associated with, the M3 system in place preventing adequate management information allowing effectiveness in the process and monitoring of planning/building control applications.</p>
HASS	Braithwaite TMO	Limited	Limited	<p>Of the twelve medium recommendations made, eight remain outstanding. Revised target dates were March 2015; HASS management ascertaining current position.</p>

The 2015/16 audit plan approved by the Audit Committee in March 2015 included a detailed follow up plan which will track and report on progress made in implementation of all 2014/15 audits completed. Internal Audit will be implementing a new software programme, Traction, from August 2015 which will automate part of the follow up process and provide real time management information on the status of outstanding recommendations.

### 3.2. IT Follow Ups

During 2014/15, Internal Audit completed the IT follow up reviews in the following areas:

- IT Asset Management
- Change Management
- Third Party Management
- Server Management
- Network Security
- Service Desk and Delivery
- Network Starters and Leavers (from 2012/13)

At the time of follow-up (April 2015), Internal Audit identified a number of “not implemented,” or “partially implemented,” agreed actions from the original reports, including four high priority findings not implemented and three high priority findings partially implemented. Further details can be found in the table below.

Service management have engaged positively and worked closely with Internal Audit to arrive at the most effective route to mitigating the risks identified in audit work.

The underlying root cause for the non-implementation of findings is that management took a decision to re-design the suite of IT management policies and procedures during 2014/15 in order to align these with the internationally recognised ISO27001/2 information security standards and effect a culture change within Digital Services to move to a policy-led approach, supported by continuous auditing to promote sustainable compliance. Thus the control frameworks in place have changed from the time of our original audits. This work has included engaging with a third party consultant to look at existing policies and procedures, comparing against IT Infrastructure Library (ITIL) industry best practice for service management and re-designing the applicable control frameworks. Associated with this re-design has been the appointment of a Network Security Manager/Information Security Adviser and a new compliance monitoring role within Digital Services.

The current status of this project overall is that whilst re-designed policies have been approved by the Council, only exemplars have been translated into formalised processes and procedures to be followed by staff. Therefore, many of the improvements have not yet been fully implemented in practice and the risks and recommendations identified in our original audit reports have not been fully addressed. Management are aware of this and are working towards this as part of the implementation of the new policies. Foundation work is complete: a policy approval framework has been established; new policies have been approved through Digital Service Management Team, Corporate Governance Group and Corporate Management Board; Digital Services have implemented a ISO9001 Quality Management System to manage all its policies and procedures including annual reviews; a local auditing system is in place and; regular local audits against policies have commenced.

Internal Audit will revisit the outstanding recommendations in Q3 2015/16 to establish the subsequent level of implementation following the embedding of the redesigned policies.

Title	Original Assurance Rating	Findings Not Implemented			Findings Partially Implemented			Findings Implemented		
		High	Med	Low	High	Med	Low	High	Med	Low
Change Management	Limited			2	1	3			1	
3 <sup>rd</sup> Party Management	Limited	3								
Network Security	Limited	1			1				2	
IT Asset Management	Moderate					2			1	2
Server Management	Moderate		4							
PARIS Upgrade	Moderate				1					
Network Starters & Leavers (12/13)	Moderate					4				
Service Desk & Delivery	Moderate								5	
<b>Total</b>		<b>4</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>2</b>

#### 4. Review of the Effectiveness of Internal Audit

The internal audit service operates in line with the PSIAS and the service is measured against a number of key performance indicators as reported below.

The Internal Audit Charter was presented to Audit Committee in September 2014 and no changes were required to the Charter at that time.

KPI Target	Results
% of the annual audit plan completed compared to what was planned. Target 90% (draft reports) by 31st March 2015; 100% (final reports) by 30th April 2015	The audit plan was 90% complete to draft report stage (90% target) on 31 March 2015 and 85% complete to final report stage (100% target) on 30 April 2015. 90% of 2014/15 was completed by 30 <sup>th</sup> June 2015, with 100% completed as at August 2015; KPI has been affected due to working closely with management priorities.  In addition, several unplanned special reviews have been undertaken at management's request.
% of Audit applicable reports followed up within financial year. Target 100%	100% achieved. 49 applicable audit reviews relating to 2013/14 required follow up in 2014/15.
Audit areas where the level of assurance has risen at the follow-up stage: 90%.	90% achieved. For the thirteen 'limited' assurance follow ups completed, the assurance level for eleven reviews improved from 'limited' to 'moderate' (excluding IT follow Ups – see p8)).
Customer Satisfaction results	100% very good or good response from clients.

## 5. Service Summaries: Reports Issued 1<sup>st</sup> April 2014 – 31<sup>st</sup> March 2015

### 5.1. Cross-Cutting Reviews

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Finsbury Park Community Hub	Limited	0	1	3	2	The high priority finding related to the reconciliation of the Hub's income and expenditure and the storage arrangements for the associated supporting documentation. Further audit work is ongoing in this area.
Leaseholder Service & Major Works charges (Partners)	Limited (increased to Moderate at following up in June 2015)	0	1	7	1	The original report issued in March 2015 was rated at Limited Assurance, with the high priority finding relating to arrears recovery. Subsequent follow up in June 2015 highlighted that six recommendations (including the high priority) have been fully implemented and three recommendations have been partially implemented with full implementation due July 2015. As a result of the rate of implementation of recommendations, the level is now indicative of 'moderate' assurance, which suggests that the control environment, in relation to the specific areas covered by this audit, has improved on follow up.
Leaseholder Service & Major Works charges (Direct Services)	Moderate	0	0	4	0	
CCTV	Moderate	0	0	5	1	
Customer Transformation	Substantial	0	0	0	14	
Right to Buy	Limited	0	2	3	5	High priority findings were identified relating to assessment and acknowledgement of eligibility for Right to Buy and the valuation of Right to Buy properties.
Performance Monitoring	Management letter issued; assurance statement not created. Internal Audit provided input into the revised corporate performance monitoring arrangements in light of a number of changes to the corporate suite of performance indicators and the creation of the Islington Commitment as a replacement to the previous corporate business plan. Five risks were highlighted relating to the corporate plan, Islington Commitment, performance indicator interdependencies, identification of cross cutting themes and smart corporate indicators.					

**Public Health** - Follow up of recommendations made in 2013/14. Risk workshops have been delivered and a risk assessment devised in line with the Council's new risk management framework. The follow up of previous audit recommendations indicated a good level of implementation.

**Data Protection/ICO Audit** - Follow up of recommendations made in 2013/14. Management letter issued; assurance statement not created. Key findings were: two high priority and one medium recommendation were fully implemented prior to the ICO inspection. The remaining recommendations (one high, three medium) were partially implemented and related to Information Asset Register, compliance report escalation and Subject Access Requests. Work is ongoing in correlation with the ICO outcome

**Programme Management** will be undertaken as an extended follow up in 2015/16.

## 5.2. Chief Executive's Office

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Review of Starters & Leavers Processes	Substantial	0	0	2	1	The control environment in place for the recruitment and vetting of individuals is generally sound; no significant issues were identified during the audit. Two medium and one low priority recommendations were made regarding leavers' access to LBI sites, the completion and monitoring of mandatory training and the use of leavers checklists. An audit of temporary agency workers and consultants is planned to be undertaken as part of the 2015/16 internal audit plan which may result in further recommendations
Refugee Therapy Centre	Moderate	0	0	5	1	Medium priority recommendations related to safeguarding policy, governance and reporting structure, register of interest, management committee skills and training and reporting and monitoring of performance.

At the request of management, the planned audit of Impact of budget cuts on crime, disorder and community tension has been deferred to the audit plan for 2015/16 to cover the new legislation surrounding Anti-Social Behaviour and include input from other Council departments involved in this area.

The review of Third Sector Organisation Solace was cancelled, as assurance over the monitoring controls was sufficient through a review completed in 2013/14 of the Supporting People Service in which Solace was selected within the sample.

## 5.3. Environment and Regeneration

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Planning Notification Procedures and Consultation	Moderate	0	1	3	2	The high priority finding relates to accuracy and completeness of planning application validation dates.
Open Spaces/Parks Management	Moderate	0	0	5	7	Medium priority recommendations related to equipment maintenance, pre-start checks, fees charged, asset management and processing of payments.

CCTV is listed under cross-cutting reviews. Planned audits of Waste Management and Libraries have been deferred to 2015/16. Transport Planning & Strategy was cancelled at management's request.

## 5.4. Housing and Adult Social Services

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Brunswick TMO	Limited	0	2	8	1	Due to the TMO's current banking arrangement, it was not possible to determine the surplus position as no separate surplus account is held and no surplus is reported, which is not in line with requirements under the MMA agreement. Several inconsistencies were determined in the Tenant Management Team's risk assessments. As a result, there is limited reliance that can be placed on the risk assessments.
Taverner & Peckett TMO	Limited	0	1	11	4	One high priority finding related to the lack of segregation of duties as the same accountant is both bookkeeper and external auditor for the TMO.
Pleydell TMO	Moderate	0	0	9	3	
Repairs/Stock Procedures	Moderate	0	0	2	3	The medium risk findings related to the accuracy and completeness of stock management information and the procedure in place for van stock takes.

It was agreed that Finsbury Park Community Hub and Right to Buy would be treated as cross cutting reviews and are listed on page 10. Planned audits of Housing Allocations, Occupational Health, Direct Payments, and Safeguarding Adults were deferred to 2015/16 at management's request due to the work being undertaken by the department in 2014/15 in relation to the Care Act. Reviews of ASC Client Reviews, Supported Discharge Rehabilitation Scheme and Legal Repairs Surveying Team were cancelled in consultation with management and the audit resource applied to other priority areas.

## 5.5. Children's Services

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Local Education Partnership	Moderate	0	1	3	0	The high priority finding related to annual performance reporting; the LEP had not produced an annual report for 2014/15.
High Needs SEN (addition to plan)	n/a - Management Letter	0	1	2	1	It is not currently clear at which point young people with an EHCP will make the transition to the adult social care system and which service area will take the lead role during the transition.
Stronger Families PbR Claim	Internal Audit have provided on-going assurance during 2014/15 regarding the grant claim.					

The planned review of Children's Centres was deferred to 2015/16 as a result of change in Early Year's management during 2014/15. The planned review of Assurance Mapping was cancelled in consultation with management and the audit resource applied to other priority areas (see additions to original plan). School Admissions and Personal Budgets were deferred to 2015/16.

## 5.6. Children's Services (Schools)

School	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Thornhill	No Assurance (increased to Limited at following up in June 2015)	2	7	8	1	See detail at page 7
Holloway	Limited	0	3	6	3	The high priority findings relate to the purchase of alcohol; transparency of income records and payroll.
St. Peter's & St. Paul's	Limited	0	3	2	2	The high priority findings relate to expenditure, HR and Payroll (regarding reimbursements to staff), and the control environment surrounding purchasing and payments.
Hugh Myddelton	Limited	0	2	9	3	The high priority findings relate to DBS clearances and references for new starters and documentation for external consultants.
Ashmount	Moderate	0	1	4	3	The high priority finding relates to receipting of non-invoiced income.
Prior Weston	Moderate	0	1	8	1	The high priority finding related to payroll reports not being signed by a second signatory increasing the risk of staff authorising their own payroll due to a lack of separation of duties.
Richard Cloudesley	Moderate	0	1	7	1	The high priority finding relates to instances identified where the school was unable to provide evidence that external consultants and self-employed individuals held valid DBS clearances and Public Liability insurance.
Yerbury	Moderate	0	0	5	6	
St Mary's	Moderate	0	0	3	4	
Copenhagen	Moderate	0	0	4	4	
Duncombe	Moderate	0	0	6	3	

Canonbury Primary has been deferred to Summer Term 2015 at the school's and Children's Services management's request





## 5.7. Finance and Resources

Report Title	Assurance Rating	Critical	High	Medium	Low	Key issues arising
Continuous Auditing/KFS Audits	Moderate	<p>Internal Audit raised three new control design issues (one high rated, two medium rated) during the process mapping and controls design assessment stage. The high rated design issue relates to the payroll system whereby a payroll system access review is not undertaken by management and cases were identified where access to the system could contravene segregation of duties controls. The additional two medium rated design issues relate to controls in place around the Softbox system which has not been included previous reviews.</p> <p>In the previous period (2013/14) ten control design recommendations were made which have been followed up this period. Implementation of these recommendations is as follows:</p> <ul style="list-style-type: none"> <li>• Six recommendations have been implemented (one high rated, one medium and four low rated)</li> <li>• Four recommendations have not been implemented (two high rated, one medium rated and one low rated).</li> </ul> <p>The two high priority findings that have not been implemented correspond to the accounts payable system. The findings relate to invoice validation and the lack of independent verification of new suppliers prior to set up. Management have undertaken their own sample testing during the year to identify any anomalies. However there is still scope to strengthen both preventative and detective controls in these areas, including developing the Fiscal data analytics tool, which enables a set of analytics and tests to be designed which will help mitigate the risk exposures in relation to payments and suppliers. Further improvement work is ongoing in this area which will be followed up by Internal Audit in due course.</p>				
Enforcement Agents (non-Parking)	Moderate	0	0	2	2	
VAT	Moderate	0	0	3	2	
<b>DST</b>						
Sharepoint	Limited	0	2	2	0	Periodic disaster recovery exercises are not performed on SharePoint to ensure that services and data can be restored in a disaster event. Weaknesses were identified in the design of controls regarding review and approval of content prior to this being published on the intranet and internet.
IT Capacity Management	Moderate	0	1	2	0	The high priority finding related to there being no capacity management plan setting out the Council's future capacity needs in order to support IT resources and growth
Abacus	Moderate	0	0	3	2	





The planned reviews of the Finance Function New Model of Operation, Grant Claim Preparation, Data Centre and Master Data Management have been cancelled in consultation with management and the audit resource applied to other priority areas. Reviews of PSN, Softbox, and IT Strategy & Governance have been deferred to 2015/16.



## Key to Assurance Levels

Level of Assurance	
<b>Substantial</b> 	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
<b>Moderate</b> 	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
<b>Limited</b> 	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
<b>No Assurance</b> 	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

## Recommendations

Risk rating	
<b>Critical</b> 	<p>Life threatening or multiple serious injuries or prolonged work place stress. Severe impact on morale &amp; service performance. Mass strike actions etc</p> <p>Critical impact on the reputation or brand of the organisation which could threaten its future viability. Intense political and media scrutiny i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers.</p> <p>Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects – elected Members &amp; SMBs are required to intervene</p> <p>Major financial loss – Significant, material increase on project budget/cost. Statutory intervention triggered. Impact the whole Council; Critical breach in laws and regulations that could result in material fines or consequences</p>
<b>High</b> 	<p>Serious injuries or stressful experience requiring medical many workdays lost. Major impact on morale &amp; performance of staff.</p> <p>Significant impact on the reputation or brand of the organisation ; Scrutiny required by external agencies, external audit etc. Unfavourable external media coverage. Noticeable impact on public opinion</p> <p>Significant disruption of core activities. Key targets missed, some services compromised. Management action required to overcome med – term difficulties</p> <p>High financial loss Significant increase on project budget/cost. Service budgets exceeded. Significant breach in laws and regulations resulting in significant fines and consequences</p>
<b>Medium</b> 	<p>Injuries or stress level requiring some medical treatment, potentially some workdays lost. Some impact on morale &amp; performance of staff.</p> <p>Moderate impact on the reputation or brand of the organisation ; Scrutiny required by internal committees or internal audit to prevent escalation. Probable limited unfavourable media coverage.</p> <p>Significant short-term disruption of non-core activities. Standing Orders occasionally not complied with, or services do not fully meet needs. Service action will be required.</p> <p>Medium financial loss - Small increase on project budget/cost. Handled within the team. Moderate breach in laws and regulations resulting in fines and consequences</p>
<b>Low</b> 	<p>Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale</p> <p>Internal Review, unlikely to have impact on the corporate image. Minor impact on the reputation of the organisation</p> <p>Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines.</p> <p>Minimal financial loss – Minimal effect on project budget/cost. Minor breach in laws and regulations with limited consequences</p>

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<b>Report of: Assistant Chief Executive – Governance and Human Resources</b>
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Meeting of	Date	Ward(s)
Audit Committee	22 <sup>nd</sup> September 2015	All

Delete as appropriate		<b>Non-exempt</b>
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## **Subject: ANNUAL REPORT ON STANDARDS AND MEMBER CONDUCT**

### **1. Synopsis**

This report provides the annual report from the Monitoring Officer on issues concerning member conduct and complaints, training and promoting high standards of conduct amongst Members.

### **2. Recommendations**

- 2.1 The Audit Committee note the contents of the annual report and consider whether it would be useful for Members to receive briefings both in written form and via brief updates to them before Group meetings and directly to the Green Party Member on Standards and Governance issues.

### **3. Details**

- 3.1 When the Standards Committee used to meet on a regular basis it produced an annual report on its activities. Following changes to the Constitution the Monitoring Officer is now obliged to produce an annual report to Audit Committee covering issues of member conduct and complaints received, training and promoting high standards of conduct amongst Members.

#### **Member Training and Development**

- 3.2 Following the June 2014 Local Elections an induction weekend was held for all Councillors which covered issues such as the Code of Conduct, Data Protection and IT. A Corporate Induction evening was also arranged to meet key officers from the main

departments and our partner organisations. Ward walks were also offered to new Councillors and a few Ward Councillors took this opportunity up.

- 3.3 Specific briefings on Planning, Licensing and Scrutiny took place at the first meetings of those committees for new Councillors.
- 3.4 Labour Group also had their away weekend which concentrated on the Council's budget. Two specific training days were arranged on public speaking for 17 Councillors together with media training for new Executive councillors.
- 3.5 Councillors have attended a number of conferences over the last year as well as attending LGA Leadership Academy modules.

### **Briefings and Updates**

- 3.6 Members have been provided with occasional specific briefings on conduct or governance issues. An overview of the Member Code of Conduct was circulated not long after the induction weekend and as part of the preparations for the Information Commissioners visit earlier this year, a briefing on Data Protection was circulated.
- 3.7 The committee is asked to consider whether it would be useful for Councillors to be provided with a short quarterly written briefing on governance and conduct issues particularly relevant to them. These briefings could also be provided as short updates before Group meetings to allow any questions and answers. The Committee is asked to consider these suggestions and any other ideas the committee may have for keeping councillors up to date on these issues.

### **Financial Declarations**

- 3.7 All Members completed their financial declarations in line with the Code of Conduct when first elected. They are also reminded about updating any changes to their circumstances as they occur.
- 3.7 Members were also advised that the question on the financial declarations form relating to licences to occupy land in the borough would cover those Members who rented garages or held parking permits for specific spaces on estates, rather than a general residents parking permit
- 3.8 Copies of these declarations, along with any declarations made at meetings, declarations regarding gifts and hospitality and councillors attendance record at committees are all available on the Council's website.

### **Complaints**

- 3.9 All complaints under the Members Code of Conduct are referred to the Monitoring Officer (the Assistant Chief Executive, Governance and HR) who under the council's procedures for dealing with these complaints has a discretion to decide whether it is appropriate to seek an informal resolution. Where there is no informal resolution, the Monitoring Officer may:
  - decide not to investigate further;
  - decide that the matter requires investigation.
  - decide to refer the decision as to whether or not there is to be an investigation to the Standards Committee.

3.10 Set out below are the four complaints received against Members in 2014 and their outcomes. Only one of these complaints was formally dealt with as a complaint under the procedure and none resulted in an investigation... The Independent Person was consulted about each of the complaints and agreed with the approach taken. There have been no complaints received so far in 2015.

Members involved	Complainant	Topic	Formal complaint	Outcome
3	Member of the public	Rudeness and bullying of the public by chair. Misleading information given by Executive Members	Y	Letter of apology written by chair. Complaint was withdrawn in respect of Executive members after service complaint responded to by department
1	Member of staff	Not treating with respect	N	Dealt with under the Member and Officer Protocol
1	Member of the public	Poor chairing and procedural impropriety. Not treating with respect	N	Complaint withdrawn after department responded in relation to service issues.
2	Member of the public	Poor chairing. Failure to treat with respect <ul style="list-style-type: none"> <li>• Rudeness to complainants solicitor</li> <li>• Dismissal of views of applicants</li> <li>• Cavalier attitude to process</li> </ul>	N	Service responded on service issues.  No formal complaint received against members.

### Recent Legal Case

3.10 Set out below for the committees information are the details of a case reported in the local government press in April this year of the first Councillor to be convicted of a discloseable pecuniary interest offence under the Localism Act 2011.

The charge against the former leader of Dorset County Council, who is also a Councillor at East Dorset District Council, was that he was present at a meeting about the East Dorset Core Strategy and had a disclosable pecuniary interest in a matter considered at that meeting and without reasonable excuse, participated in the vote taken at that meeting.

At the time Flower was a non-executive director of Synergy Housing, a charity that exists to provide homes for those in need. Although not paid a salary, he received remuneration payments of £29,920 for the years 2010 to 2013. Flower listed this interest in pecuniary interests forms submitted to East Dorset and the county council in July 2012.

Flower's view that that the matters at the relevant meeting in relation to the Core Strategy were of a broader nature and did not concern detailed issues of planning and ownership.

The judge concluded that the defendant should – prior to the meeting – have taken time to consider his position and that the 2011 Act made it clear that having declared his interest in Synergy Housing, the defendant could not take part in that meeting.

Flower could have tried to obtain a dispensation, and could have consulted the monitoring officer. The judge emphasized the onus remained on the member to deal with matters.

The meeting was to consider the Core Strategy Synergy had responded to the consultation, owned land (that was being considered and was a part of the details contained in the Core Strategy).

Flower had previously attended a meeting of Synergy where the long-term use of the land had been discussed. District Judge Nicholls said that whilst Flower's participation in the meeting could not on the evidence before the court lead to any direct benefit to him, the 2011 Act made it clear he should not take part or vote at that meeting.

Flower was given a six-month conditional discharge and ordered to pay £930 in costs."

This case highlights the importance of considering registered interests before participating in discussion and voting at formal council meetings and of being cautious before assuming that the matter under discussion is too broad for the interest to be a problem even if there is no likelihood of any direct benefit arising for the councillor concerned.

## **4. Implications**

### **4.1 Financial Implications**

None.

### **4.2 Legal Implications**

None.

### **4.3 Resident Impact Assessment**

No resident impacts arise directly from this report..

### **Background papers:**

None.

Final Report Clearance

Signed by



Assistant Chief Executive (Governance & HR)

Date

Report author  
Tel

John Lynch, Head of Democratic Services  
020 7527 3002



Report of: **Head of Internal Audit**

Meeting of	Date	Ward(s)
Audit Committee	22 <sup>nd</sup> September 2015	

## **SUBJECT: Principal Risks – Interim Risk Management Update**

### **1. Synopsis**

1.1. This report sets out the Interim Risk Management Update on the Council's Principal Risks.

### **2. Recommendations**

2.1. To note the contents of the report.

### **3. Background**

3.1. This summary has been prepared for Audit Committee and provides an interim update of the following:

- A progress update of the Principal Islington risks (*formerly referred to as corporate risks*)
- A heat map reflecting the overall risk profile of the Council and detailed risk registers for each Principal risk;
- Summary update of progress made for embedding risk management throughout the Council.

3.2. The 12 key principal risks facing the Council were agreed in December 2014. This summary provides a current progress update of any changes in risk exposure and uncertainty facing the risk area along with any emerging risks proposed.

## 4. Implications

### 4.1. Financial implications

The financial risks should be considered alongside review of the update

### 4.2. Legal Implications

The legal risks should be considered alongside review of the update

### 4.3. Environmental Implications

The environmental risks should be considered alongside review of the update

### 4.4. Resident Impact Assessment

The equalities risks should be considered alongside review of the update

## 5. Conclusion and reasons for recommendations

The report updates Audit Committee on the progress of Islington's Principal Risks and provides an updated heatmap reflecting the Council's overall risk profile

Final Report Clearance

**Signed by**



7 September 2015

Corporate Director of Finance

Date

Report author: Michael Bradley, Head of Internal Audit  
Tel: 07979834012  
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# London Borough of Islington

## Interim Risk Management update - September 2015

### 1. Introduction

This summary has been prepared for Audit Committee and provides an interim update of the following:

- A progress update of the Principal Islington risks (*formerly referred to as corporate risks*)
- A heat map reflecting the overall risk profile of the Council and detailed risk registers for each Principal risk;
- Summary update of progress made for embedding risk management throughout the Council.




The 12 key principal risks facing the Council were agreed in December 2014. This summary provides a current progress update of any changes in risk exposure and uncertainty facing the risk area along with any emerging risks proposed.




To clarify the different nature of these risks, they have been articulated into a number of sub-categories:

- **Dynamic risks** – time bound risks which are generally more strategic in nature and have a slow-medium velocity of occurrence. These risks are either transitional risks around transformational change or a temporary response to external factors. These risks are expected to close and reduce in uncertainty over time.
- **Inherent risks** – risks that are operational, day-do-day and potentially high-impact in nature with major consequences due to their high velocity/speed of occurrence. These risks do not close as they are a part of business as usual.
- **Emerging risks** – future ‘on the horizon’ risks which have been identified due to the current uncertainty in the external and internal environment that may impact the Council’s objectives and reputation.

## 2. Principal Risk Progress update





a) **Dynamic Risks:** Time-bound, low to medium velocity risks.


Risk Description	Current Status and Progress Update
<p><b>Transforming Adult Social Care: There is a risk we do not realise the benefits of transforming Adult Social Care (i.e. financial savings, transformation, integration, Care Act, quality and choices for service users).</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 12</b>    <b>Likelihood:2 (Unlikely) Impact: 4 (Major)</b></p> <p>Delivery for 14/15 restructure for support and implementation of £1.7million savings has been successfully completed. In terms of the programme approach, arrangements for risk, issues and dependencies have been implemented as part of a comprehensive and fit-for-purpose governance structure. This risks associated the transformational outcomes were presented to Corporate Governance Group in June 2015.</p> <p>There is, however, a small amount of uncertainty exists regarding small partners contracts to work as part of an alliance and that the new operating model in assessment and care management compromises the safety of service users and carers. Key future actions include an evaluation framework to be developed with performance and a specific project which involves reducing and rationalising assessment forms reducing administrative burdens of staff and increasing face to face time with service users.</p>
<p><b>Housing Repairs: There is a risk we do not deliver an effective repairs service</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 16</b>    <b>Likelihood:3 (Possible) Impact: 4 (Major)</b></p> <p>The repairs service has gone through the first winter season of transition and are in the process of making the repairs service more robust. This is a longer-term risk where it is difficult to reduce risks completely due to the volume of the repairs undertaken. However, with time the level of certainty is increasing in making the repair service as effective as possible through development of further enhancements and continuous learning.</p> <p>Additional causes identified which could drive this risk include the availability of effective IT systems. This is currently being reviewed and the specification for the IT system is being thoroughly developed to address any potential risk exposures in this area.</p>
<p><b>Homelessness: There is a risk that Housing demand causes us to use unaffordable temporary accommodation that is in poor condition or is insufficient for those with we have a statutory duty to.</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 18</b>    <b>Likelihood: 5 (Almost Certain) Impact: 3 (Possible)</b></p> <p>London Councils have lead the approach to help implement London-wide TA caps – which Islington has stayed within and managed the numbers down (544 to 457 in emergency acomodation). Although this performance indicator highlights travel in the right direction continuing pressure still remain.</p> <p>Newly identified causes for this risk include increase in the costs of the private rented market. To manage this in the future, there will be the procurement of a new framework of suppliers for emergency and nightly booked accommodation. In terms of providing early assurance mechanisms, Finance confirmation of reduction in cost currently helps to predict any overspend which help provide indicate early trends.</p>

<p><b>Financial Strategy: The Council fails to optimise it's financial position required to balance the Council's budget over the medium term</b></p> 	<p><b>Current risk score: 16 Likelihood:3 (Possible) Impact: 4 (Major)</b></p> <p>Savings targets set out by the Council are predominately being met with savings proposals for the 16/17 budget being subject to greater review this year to ensure robustness ;on behalf of the s151 officer.</p> <p>In addition, 2015/16's £37m of savings will be seperately monitored during the year using RAG ratings and reported to CMB/Joint Board.</p>
<p><b>IT Transformation: There is a risk we do not deliver IT projects which will enable/optmise business transformation across the Council</b></p> 	<p><b>Current risk score: 16 Likelihood:3 (Possible) Impact: 4 (Major)</b></p> <p>There is still a high-level of uncertainty in the delivery of IT Projects as a result of the complexity of workloads which is dependent on business processes. Risks also exist in regard to demand management and the management of conflicting prioirities. As the transformation is about to enter delivery phase, a more sophisticated method to develop arisk based prioritisation tool is being explored by the Digital Services function to help address this.</p>
<p><b>Welfare Reforms: Welfare reforms have an adverse impact on our Communities and adversely impact the reputation of the Council</b></p> 	<p><b>Current risk score: 16 Likelihood: 3 (Possible) Impact: 4 (Major)</b></p> <p>As a result of government changes, the resultant effect will see benefit caps going down which may increase numbers of our community being affected potentially leading to an increased number of evictions and homelessness. The benefit bills cuts over the next 3-5 years, therefore creates a great deal of uncertainty and can wide ranging impacts on the community. At present, current predictions to improve the level of foresight are being undertaken to quantify the number of those who may be impacted before measures can be put in place to treat the potential risks in this area.</p>

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**b) Inherent Risks:** Day-to-day high velocity risks

Risk Description	Current Status and Progress Update
<p><b>Safeguarding Adults: There is a risk we do not identify or effectively respond to preventable harm to vulnerable.</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 15</b> Likelihood:2 (Unlikely) Impact: 5 (Extreme)</p> <p>There has been an increase on the number of additional control measures in this area including the appointment of a Principal Social Worker to provide support in good practice for Social Workers. In addition, there has also been awareness raising session for various faith groups and care homes as part of Adult Safeguarding month.</p> <p>Key future actions include strengthening the Safeguarding team in partnership with Islington CGG by developing a Radar Development Group which identifies early warning indicators through trends and patterns.</p>
<p><b>Information Governance: There is a risk that the Council does not keep sensitive and/or person identifiable information secure resulting in a major breach of Data Protection legislation</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 16</b> Likelihood:3 (Possible) Impact: 4 (Major)</p> <p>A recent ICO review was undertaken which focused on three areas, two of which obtained a rating of reasonable assurance and one with a limited level of assurance (Subject Access Rights). A dedicated work plan has been approved to focus on key improvements in this area. In addition, progress has been made in the generation information management area with design and implementation of information asset registers and detailed records managements plans.</p>
<p><b>Safeguarding Children: There is a risk we are unable to either prevent, identify and/or respond to children who may be at risk of significant harm or repeated significant harm</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 15</b> Likelihood:2 (Unlikely) Impact: 5 (Extreme)</p> <p>Political support held with Councillors have ensured that funding levels are protected to date enabling support to be maintained and ensuring that sufficient resources are held to offer social workers sufficient incentives to work for the Borough. In addition, the recruitment in key positions such as social workers has been the key improvement in helping to manage any serious risk exposures.</p> <p>Going forward, upskilling of existing workforce to ensure the correct skills are held to manage the risk and further dissemination of lessons learned are future continuous improvement actions.</p>
<p><b>Responsiveness &amp; Resilience: There is a risk we are not able to recover critical internal processes/effectively respond to an emergency following a disruptive event within a suitable timeframe</b></p> <p style="text-align: center;"></p>	<p><b>Current risk score: 12</b> Likelihood:2 (Unlikely) Impact: 4 (Major)</p> <p>There has been council-wide awareness raising and briefing sessions in regard to Counter-Terrorism with the Police, with the inclusion of practical case studies. In addition, desktop BCP corporate exercise with all departments including the testing of plans have taken place, this has identified where areas have required revisiting to strengthen the robustness of their resilience plans. Furthermore, a live exercises from a fire from a block at flats has taken place, however, results from a post-exercise incident is to be undertaken to identify any lessons learned findings.</p>

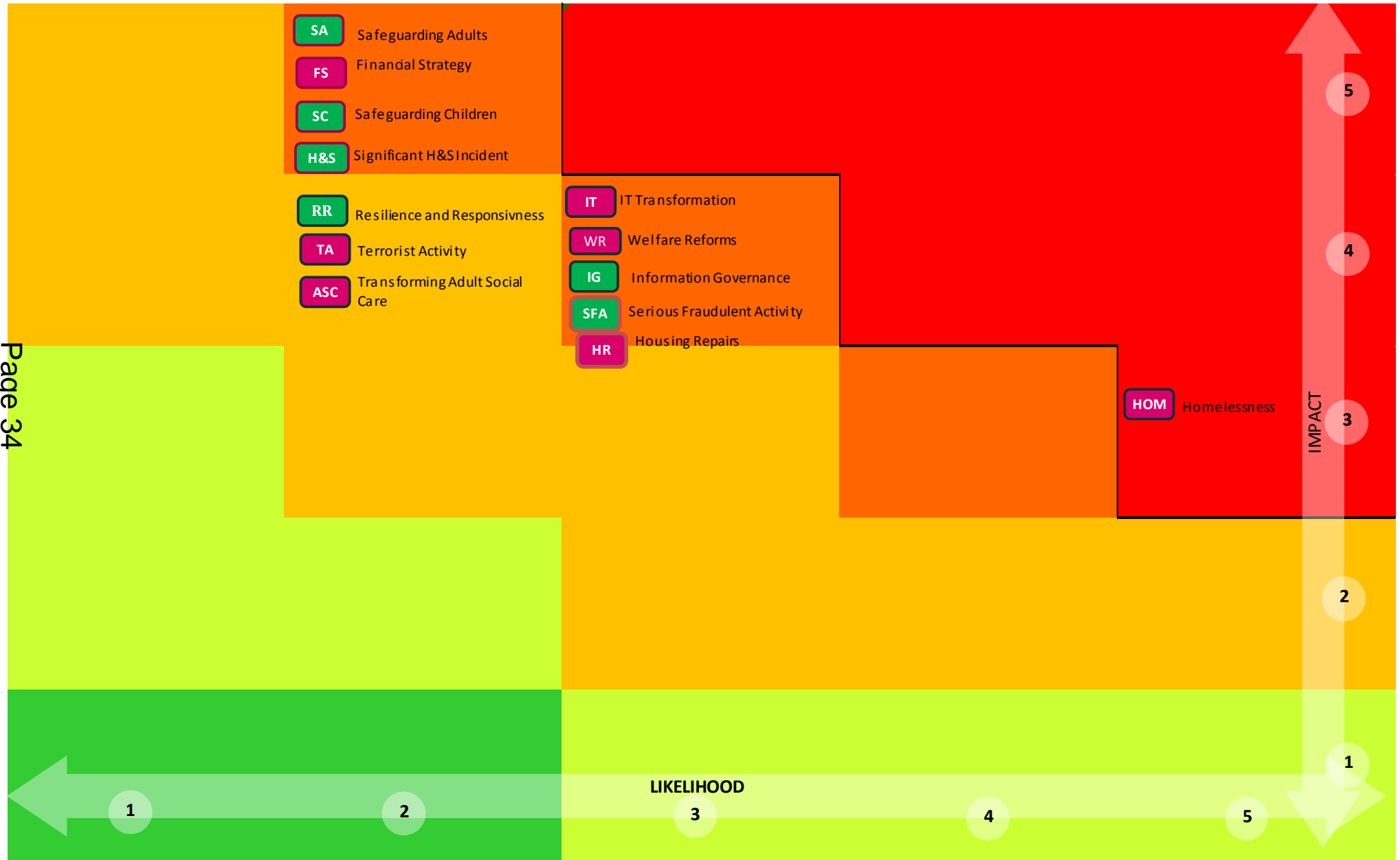
	Due to a further understanding of the full potential implications risk exposure, the impact of this risk has moved from having a <i>moderate</i> to <i>major</i> impact on service delivery.
<p><b>Significant Health &amp; Safety Incident: There is a risk of a significant H&amp;S incident (life changing/fatality) compromising the safety and wellbeing of service users, public or the workforce</b></p> 	<p><b>Current risk score: 15 Likelihood:2 (Unlikely) Impact: 5 (Extreme)</b></p> <p>Key areas of the Council have now obtained certification in International Standards to provide confidence that processes are fit-for-purpose. In addition, due to a previous incident within a School, significant progress in terms of proactive engagement has taken place to ensure that lessons have been learnt and a safety aware culture is a key responsibility and statutory requirement. . However, some work is still required for this to transcend to the rest of Council activities as further training and awareness raising needs to be undertaken in order to embed a proportionate safety awareness culture. Recent issues in the Customer Contact centre also highlighted potential safety exposures faced by our workforce – work has been undertaken in this area and involves continuous monitoring.</p>

### c) Emerging Risks

Due to the heightened level of their exposure in the current sector climate, we have proposed two new additional risks to be included as Principal Risks that are biannually reported to CMB and Audit Committee.

<p><b>Terrorist Activity: There is a risk we do not identify that a member in our community is in scope/involved in terrorist activity (to act on information in a timely manner)</b></p> 	<p><b>Current risk score: 12 Likelihood:2 (Unlikely) Impact: 4 (Major)</b></p> <p>Local Authorities now have a legal responsibility to demonstrate the ability to proactively raise awareness, deliver training and develop counter-narratives. Although this risk provides an opportunity to improve outreach to communities to enable better cohesion, the uncertainty and challenge exists what can do done with information to help people come forward and to help support decision-making and improve the level of intelligence available.</p> <p>Recruitment is underway for a role which focuses on about raising awareness/support vulnerable to radicalisation/work with front line workers.</p>
<p><b>Serious Fraudulent Activity: There is a risk that the Council is exposed to a serious fraud, corruption and/or bribery.</b></p> 	<p><b>Current risk score: 16 Likelihood:3 (Possible) Impact: 4 (Major)</b></p> <p>Due to changes within the organisation and transformation of services, the loss of key control points combined with opportunistic behaviour by a small minority of individuals can potentially heighten the level of risk exposure of fraudulent activity. Furthermore, emerging trends also heightening the level of fraud risk exposure is in regard to the transition of temporary to permanent staff without appropriate initial due diligence can result in potential safeguarding implications dependent on the nature of the role.</p> <p>This can result in a loss of public funds and subsequent complaints/loss of public confidence with potential fines and prosecution breaching major legislative act. In addition, this can potentially lead to media scrutiny undermining the credibility of the Council. The Council has recently developed a new Anti-Fraud Strategy which aims to increase the awareness as a part of the implementation plan as well as emphasising the role officers are being accountable to.</p>

### 3. Islington Principal Risk Heat Map



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## 4. Embedding Risk Management

The key objective for the risk management function is to embed the improved risk management process by building on the enhanced level of information that is being captured, capitalising on the focus and clarity the revised scoring provides and building on the high level of engagement of line management with the risk framework.

A significant amount of progress has been achieved towards embedding the risk management framework as outlined below.

### **PROGRESS TO DATE**

Since Jan 2015, Risk Management has undertaken the following to integrate and embed risk management throughout the Council;

- a) Alignment of risk management and service planning within Children's Services to help identify emerging risks for the year ahead;
- b) Enhancements in collaborative risk management through sharing low likelihood and high impact risks and trends with Business Continuity and Emergency Planning;
- c) Providing Programme and Project risk management training and development of customised risk strategies and tolerability levels to: Transformation team, Adult Social Care Project teams, Public Health transformation and Housing Development;
- d) Working alongside Transformation and Programme Managers to help prepare for risk reporting to Corporate Governance Group.

### **PLANNED ACTIVITIES**

The current Risk Manager left the Council in July 2015 to take up an external role. To help continue the drive towards proactive risk management and risk awareness raising throughout the Council, recruitment is currently underway and an appointment should be made in September 2015. To further build on the existing risk maturity of the Council, the following is expected;

- Continue to facilitate, moderate and provide an independent challenge through detailed risk discussions management teams and provide progress updates to CMB biannually.
- Further integration of service planning and risk management across all Council departments;
- Communications for staff to raise awareness of risk and opportunity management and its application;
- Develop early warning indicators (EWI) for principal risks. EWIs are metrics which act as an early warning signal and will be used to monitor identified exposures over time.
- Development of an online training tool/workshop package for day-today managers across the Council to heighten level of risk based thinking.
- Continue to provide dedicated risk management support within programmes and projects i.e. working with the Programme and Project Management division to embed risk management within transformation programmes/projects.

# Appendix A: Risk Management tolerability criteria

The 5-stages of the risk management process consist of understanding objectives and priorities, identifying the risk, analysing risks, evaluating risks and implementing responses. The process is supported by regular consultation, communication, monitoring and review and underpinned for CMB approved impact criteria, likelihood criteria, risk tolerability matrix and a risk response strategy. The criteria, as provided below, was reviewed in June 2014. We will continue to review the criteria with CMB and subject matter experts on an annual basis.

## Impact criteria

NEGATIVE IMPACT	FINANCIAL	ORGANISATIONAL PRIORITIES & STRATEGIC OBJECTIVES	SERVICE DELIVERY	SAFETY & WELLBEING	REPUTATION	LEGISLATIVE/COMPLIANCE	PEOPLE
<b>INSIGNIFICANT (1)</b>	Minimal financial loss which can be accommodated at Divisional level <i>Financial loss less than £50k</i>	Inability/failure to achieve team/individual targets that is not key to Camden Plan outcomes or other organisational priorities	Minimal/brief impact on a non-crucial service	No obvious harm/injury/safeguarding risk or obvious impact on safety and wellbeing	Unlikely to cause any adverse publicity, internal only	Non-compliance with industry best practice / local procedures or guidance (no regulatory impact)	Loss of staff/fail to recruit in non-key areas
<b>MINOR (2)</b>	Moderate financial loss which can be accommodated at Directorate Level <i>Financial loss £50k-£500k</i>	Failure to achieve a service objective that is not key to Camden Plan outcomes or other organisational priorities	Brief disruption on an important service Moderate disruption on a non-crucial service	Minimal effect on safety and wellbeing. First aid treatment/non-permanent harm up to 1 month / Some potential for safeguarding risk	Some public embarrassment, no damage to reputation	Non-compliance with contracts, standards or legislation with minor consequences	Small number of staff made redundant and/or affected - loss of staff confidence
<b>MODERATE (3)</b>	Significant financial loss which will have a major impact on the Council's financial plan <i>Financial loss £500k-£2.5million</i>	Failure to achieve a Camden Plan outcome	Moderate disruption on an important service Major disruption on a non-crucial service	Noticeable effect on safety and wellbeing. Medical treatment required, semi-permanent harm up to 1 year / Noticeable safeguarding risks	Some adverse publicity needs careful press relations, short term damage (<30% of opinion formers)	Non-compliance with contracts / standards or legislation with possible legal or regulatory proceedings leading to moderate reputational or cost damage. Breaches of law punishable by fines only	Loss of staff/fail to recruit in key areas
<b>MAJOR (4)</b>	Major financial loss which will have a major impact on the Council's financial plan <i>Financial loss £2.5m - £5million</i>	Failure to achieve a major Camden Plan outcome or organisational priority	Major disruption to an important service	Multiple casualties with recoverable injuries. Extensive injuries, major permanent harm, long term sickness / Major safeguarding concerns potentially affecting multiple people	Major adverse publicity, major loss of confidence, medium term damage (30-60% of opinion formers)	Major/widespread non-compliance with contracts / standards / legislation with possible legal proceedings leading to major reputational or cost damage. Breaches of law punishable by fines or possible imprisonment	Large number of staff made redundant and/or affected/loss of key skills
<b>EXTREME (5)</b>	Severe financial loss which will have a catastrophic impact on the Council's financial plan and resources are unlikely to be available <i>Financial loss &gt; £5million</i>	Failure to deliver a number of Camden Plan outcomes or other organisational priorities	Major disruption to a number of important services	Multiple death(s) or serious/ life-changing non-recoverable injury(s) / extreme safeguarding alerts likely	Adverse national publicity, highly damaging, severe loss of public confidence, long term damage (>60% of opinion formers)	Major/widespread non-compliance with legislation with legal proceedings leading criminal proceedings and long term reputational damage (inc. loss of public confidence). Breaches of law punishable by imprisonment	Large number of staff made redundant and/or affected including Senior Leadership/ substantial loss of irreplaceable skill sets



**Likelihood criteria**

SCORE	DESCRIPTION	EXAMPLES	PROBABILITY
1	Rare	Very unlikely that this will ever happen	<5%
2	Unlikely	Expected to occur in only exceptional circumstances	6-25%
3	Possible	Expect to occur in some circumstances Has happened elsewhere	26-50%
4	Likely	Expected to occur in many circumstances Has happened in the past	51-75%
5	Almost Certain	Expected to occur most frequently and in most circumstances Imminent	>75%

**Risk evaluation matrix**

Page 37 Impact	5	10	15	20	25	30
	4	8	12	16	20	24
	3	6	9	12	15	18
	2	4	6	8	10	12
	1	2	3	4	5	6
		1	2	3	4	5
<b>Likelihood</b>						

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### Report of: Corporate Director of Finance

Meeting of	Date	Ward(s)
Audit Committee	22 September 2015	ALL

## STATEMENT OF ACCOUNTS 2014-15 (INCLUDING PENSION FUND ACCOUNTS) AND ANNUAL GOVERNANCE REPORTS

### 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 2014/15. 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 2014/15 audited Statement of Accounts and the accompanying Annual Governance Statement.
- 2.2 To note the auditor’s Annual Governance Reports and value for money conclusion.
- 2.3 To agree the action plan in Appendix 1 of the Annual Governance Report.
- 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 June 2015 and the details of the Auditor’s Annual Governance Report.

- 3.2 The Committee is required to approve the audited Statement of Accounts by 30 September 2015, including the accompanying Annual Governance Statement.
- 3.3 There is also the requirement that a general letter of representation on behalf of the Council's management is provided to the Auditor.

#### **4. STATEMENT OF ACCOUNTS 2014/15**

- 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 2014/15 (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 Between Monday 22<sup>nd</sup> June and Friday 17<sup>th</sup> July, the accounts and supporting documentation were made available for public inspection. From Monday 20<sup>th</sup> July, up until the conclusion of the audit, the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on 28<sup>th</sup> May in the 'Islington Gazette' and 29<sup>th</sup> May in the 'Islington Tribune'. The notice was also published on the Council's website.
- 4.3 After several years of continuous major changes there were no significant changes in accounting requirements or policies since the previous year. This allowed the Council to consolidate and strengthen its financial reporting procedures with a much reduced staffing level.

#### **Quality Assurance**

- 4.5 As in previous years, the closing of accounts timetable had a process of quality assurance.
- 4.6 In line with the council's policy to reduce agency staff, the Finance department has not engaged any specialist agency staff to support its work this year.

#### **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, complete and at this stage only minor adjustments have been made to them.
- 4.9 No material adjustments are proposed to the Council's Accounts save minor presentational issues. One key disclosure note, termination benefits, has been increased by £261,000.
- 4.10 The Pension Fund Net Assets have been increased by £1.1m. This is mainly because of more up to date valuation data being received during the audit which was not available at the time of drafting the Statement of 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 will be formally published with the audit opinion at the end of September.

## **5. ANNUAL GOVERNANCE REPORT**

- 5.1.1 The auditor's Annual Governance Reports for the year ended 31 March 2015 is attached at Appendix A. It summarises the findings of the 2014/15 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 Director of Finance 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. The Annual Governance Report confirms that only minor adjustments were made to the Statements.

### **Recommendations**

- 5.5 The auditor has not had to make any recommendations based upon the findings from their audit work.

## **6. IMPLICATIONS**

### **Financial Implications**

- 6.1 These are contained within the body of the report.

### **Legal Implications**

- 6.2 Regulation 7 of the Accounts and Audit Regulations 2011 requires a local authority to prepare an annual statement of accounts. Regulation 8 requires that the responsible officer (the Corporate Director of Finance) certifies the statement no later than 30th June 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) no later than 30th September. As the approval of accounts is a non-executive function, the appropriate committee is the Audit Committee. Regulation 8(3) 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.

**Resident Impact Assessment**

6.3 There are no direct equality implications.

**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 Annual Governance 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.

**Appendices**

- A Annual Governance Report 2014/15
- B Letter of Representation
- C Statement of Accounts 2014/15
- D Annual Governance Statement 2014/15

**Background papers:**

None

<b>Signed by</b>		
	Corporate Director of Finance	9 September 2015
		Date

Responsible Officer: Alan Layton, Director of Financial Management  
Report Author: Mohammed Sajid, Chief Accountant  
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*cutting through complexity*

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# Report to those charged with governance (ISA 260) 2014/15

London Borough of Islington

09 September 2015

**The contacts at KPMG  
in connection with this  
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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Philip Johnstone, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



## This document summarises:

- the key issues identified during our audit of the financial statements for the year ended 31 March 2015 for both the Authority and its pension fund; and
- our assessment of the Authority's arrangements to secure value for money.

## Scope of this report

This report summarises the key findings arising from:

- our audit work at London Borough of Islington ('the Authority') in relation to the Authority's 2014/15 financial statements and those of the Local Government Pension Scheme it administers ('the Fund'); and
- the work to support our 2014/15 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources ('VFM conclusion').

## Financial statements

Our *External Audit Plan 2014/15*, presented to you in March 2015, set out the four stages of our financial statements audit process.



This report focuses on the second and third stages of the process: control evaluation and substantive procedures. Our on site work for these took place during August 2015.

We are now in the final phase of the audit, the completion stage. Some aspects of this stage are also discharged through this report.

## VFM conclusion

Our External Audit Plan 2014/15 explained our risk-based approach to VFM work, which follows guidance provided by the Audit Commission. We have now completed our work to support our 2014/15 VFM conclusion. This included:

- assessing the potential VFM risks and identifying the residual audit

risks for our VFM conclusion;

- considering the results of any relevant work by the Authority and other inspectorates and review agencies in relation to these risk areas.

## Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out our key findings from our audit work in relation to the 2014/15 financial statements of the Authority and the fund.
- Section 4 outlines our key findings from our work on the VFM conclusion.

## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

<p><b>Proposed audit opinion</b></p>	<p>We anticipate issuing an unqualified audit opinion on the Authority's financial statements by 30 September 2015. We will also report that your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.</p> <p>We also anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.</p>
<p><b>Audit adjustments</b></p>	<p>Our audit has identified no material audit adjustments; either in the main Authority accounts or in the Pension Fund accounts.</p> <p>Our audit has identified an adjustment within one of the politically sensitive disclosures, which, due to the sensitive nature of these disclosure, have a triviality threshold of £1,000. The impact of this one adjustment is to increase the disclosure for termination benefits by £261,000.</p> <p>We identified one amendment in the Pension Fund accounts that increased the value of investment assets by £1,009,000. The Fund has adjusted the financial statements to reflect an updated valuation of private equity investments, which was not available to the Authority at the time the accounts were prepared.</p> <p>In addition, we also found a small number of minor disclosure errors in the accounts. The Authority has indicated that these disclosure related items will be adjusted in the final set of financial statements.</p>
<p><b>Key financial statements audit risks</b></p>	<p>We identified the following key financial statement audit risks in our 2014/15 external audit plan issued in February 2015.</p> <ul style="list-style-type: none"> <li>■ Management override of controls (main Authority accounts and Pension Fund accounts); and</li> <li>■ Local Government Pension Scheme reform (Pension Fund accounts).</li> </ul> <p>We have worked with officers throughout the year to discuss specific risk areas and our detailed findings are reported in section 3 of this report.</p>
<p><b>Accounts production and audit process</b></p>	<p>As with the prior year, the quality of the Authority's financial reporting processes and supporting work papers was of a consistently high standard, as evidenced by the small number of audit adjustments and presentational errors identified over the course of our audit.</p> <p>Once the audit is completed we will be discussing with key finance staff any points arising from this year's audit.</p> <p>The Authority has implemented the one recommendation in our <i>ISA 260 Report 2013/14</i> relating to the financial statements.</p>
<p><b>Recommendations</b></p>	<p>We have not made any recommendation in regards to the audit of the financial statements.</p> <p>In Appendix 2 we provide an update on the progress of clearing prior year recommendations.</p>

This table summarises the headline messages for the Authority and the Fund. Sections three and four of this report provide further details on each area.

<p><b>Completion</b></p>	<p>At the date of this report our audit of the financial statements is substantially complete, with the exception of the following areas:</p> <ul style="list-style-type: none"> <li>• Review of the Pension Fund Annual Report; and</li> <li>• Testing on the Authority's Whole of Government Accounts submission.</li> </ul> <p>Before we can issue our opinion we require a signed management representation letter, which covers the financial statements of both the Authority and the Fund. In addition, we require the final version of the Statement of Accounts, so we can agree that all proposed adjustments have been made. We will also need to complete our post balance sheet review procedures, covering the period up until the financial statements are signed.</p> <p>We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's and the Fund's financial statements.</p>
<p><b>VFM conclusion and risk areas</b></p>	<p>We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified VFM conclusion by 30 September 2015.</p>
<p><b>Certificate</b></p>	<p>The audit cannot be formally concluded and an audit certificate issued as we are considering elector queries relating to 2013/14 and 2014/15. Until we have completed our consideration of these, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.</p>

**Our audit has identified no material audit adjustments, except for one adjustment to a politically sensitive disclosure.**

**We have identified no issues in the course of the audit of the Fund that are considered to be material. We anticipate issuing an unqualified audit opinion in relation to the Fund's financial statements, as contained both in the Authority's Statement of Accounts and the Pension Fund Annual Report by 30 September 2015.**

**The wording of your Annual Governance Statement complies with guidance issued by CIPFA/SOLACE in June 2007.**

#### Proposed audit opinion

Subject to all outstanding queries being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion on the Authority's financial statements following approval of the Audit Committee on 22 September 2015.

#### Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

The final materiality (see Appendix 4 for more information on materiality) level for this year's audit was set at £18 million. Audit differences below £900k are not considered significant and are therefore not independently reported to those charged with governance, unless they relate to politically sensitive disclosures.

Our audit has not identified any material errors. However, we have identified one adjustment on politically sensitive disclosures. This has been set out in Appendix 2. It is our understanding that this will be adjusted in the final version of the financial statements. There is no impact on the General Fund Balance as a result of this disclosure error.

In addition, we identified a small number of minor presentational adjustments required to ensure that the accounts are compliant with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 ('the Code')*. We understand that the Authority will be addressing these where significant.

#### Pension fund audit

Our audit of the Fund did not identify any material misstatements.

For the audit of the Fund we used a slightly higher materiality level of £19 million. Audit differences below £950k are not considered significant.

Subject to all outstanding queries in this area being resolved to our satisfaction, we anticipate issuing an unqualified audit opinion following approval of the Statement of Accounts by the Audit Committee on 22 September 2015.

We have identified a small number of presentational adjustments required to ensure that the accounts are compliant with the *Code*. We understand that the Fund will be addressing these where significant.

#### Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that:

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

#### Pension Fund Annual Report

We have reviewed the Pension Fund Annual Report and confirmed that:

- the financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

We anticipate issuing an unqualified opinion on the Pension Fund Annual Report at the same time as our opinion on the Statement of Accounts.



## Section three

# Financial Statements (continued)

## Significant risks – the Authority

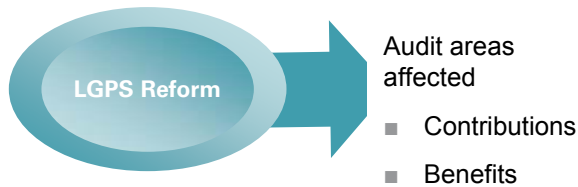
We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2014/15*, presented to you in March 2015 we reported that we would consider two risk areas that are specifically required by professional standards for both the audit of the Authority's and Pension Fund accounts, and report our findings to you. These risk areas were Management override of controls and the fraud risk of revenue recognition. The table below sets out the outcome of our audit procedures and assessment on these risk areas.

Areas of significant risk	Summary of findings
 <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>All areas</li> </ul>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. Management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We have not identified any specific additional risks of management override relating to this audit.</p> <p>In line with our methodology, we carried out appropriate substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.</p> <p>There are no matters arising from this work that we need to bring to your attention.</p>
 <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>All areas</li> </ul>	<p>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</p> <p>In our External Audit Plan 2014/15 we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.</p> <p>This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.</p>

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *External Audit Plan 2014/15*, presented to you in March 2015 we also reported that we would consider one significant risk specific to the Fund relating to the recent LGPS reforms. Below we summarise our findings.

Areas of significant risk	Summary of findings
 <p>Audit areas affected</p> <ul style="list-style-type: none"> <li>■ Contributions</li> <li>■ Benefits</li> </ul>	<p>From 1 April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 14/15, the possible cumulative effect in future years means that specific audit work is needed on ensuring that the changes required to the system have been accurately reflected.</p> <p>As part of our audit, we reviewed the controls and processes that the Pension Fund have put in place to accurately capture the data required by LGPS 2014. Through our testing over benefit expenditure we also confirmed that the system has been set up to accurately calculate future benefit entitlement.</p> <p>No issues have been identified and we have determined that this significant risk has been appropriately addressed by the Fund.</p>

## Financial Statements (continued)

### Accounts production and audit process

We have not noted any significant weaknesses in the Authority's financial reporting process and ability to produce statements of accounts to a good standard.

Officers resolved audit queries in a reasonable time.

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#### Accounts production and audit process

ISA 260 requires us to communicate to you our views about the significant qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
<b>Accounting practices and financial reporting</b>	<p>We have not noted any significant weaknesses in the Authority's financial reporting process and ability to produce statements of accounts to a good standard.</p> <p>We consider that accounting practices are appropriate for the Authority and are in line with the Code.</p>
<b>Completeness of draft accounts</b>	We received the a complete set of draft accounts on 30 June 2015.
<b>Quality of supporting working papers</b>	The quality of working papers provided was consistently good. This allowed us to complete the audit within agreed timescales.
<b>Response to audit queries</b>	Officers resolved audit queries in a reasonable time.
<b>Pension Fund Audit</b>	The audit of the Fund was completed alongside the main audit. There are no specific matters to bring to your attention relating to this.

#### Prior year recommendations

As part of our audit we have specifically followed up the Authority's progress in addressing the recommendations in last years ISA 260 report.

The Authority has implemented the one recommendation in our *ISA 260 Report 2013/14*. Appendix 2 provides further details.

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

### Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of London Borough of Islington and Islington Pension Fund for the year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and London Borough of Islington and Islington Pension Fund, its members and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

### Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Chief Finance Officer for presentation to the Audit Committee. We require a signed copy of your management representations before we issue our audit opinion.

### Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- significant difficulties encountered during the audit;
- significant matters arising from the audit that were discussed, or subject to correspondence with management;
- other matters, if arising from the audit that, in the auditor's

professional judgment, are significant to the oversight of the financial reporting process; and

- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Authority's 2014/15 financial statements.



**Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.**

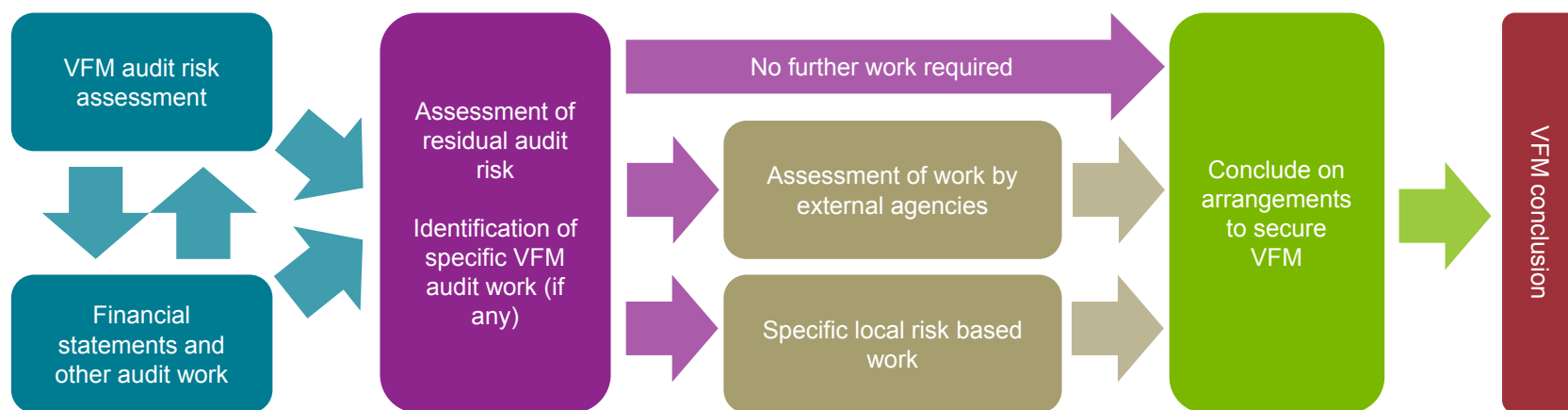
**We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

### Background and work completed

Auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly. The key elements of the VFM audit approach are summarised in the diagram below. As part of our *External Audit Plan 2014/15, presented to you in March 2015 we did not identify any significant risks relating to the VFM conclusion.*



### Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We concluded that we did not need to carry out additional work for these risks as there was sufficient relevant work that had completed by the Authority, other inspectorates and review agencies in relation to these risk areas.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

## Appendix 1: Follow up of prior year recommendations

The Authority has implemented the one recommendation in our ISA 260 Report 2013/14.

This appendix summarises the progress made to implement the recommendations identified in our ISA 260 Report 2013/14 and re-iterates any recommendations still outstanding.

**Number of recommendations that were:**

Included in original report	1
Implemented in year or superseded	1
Remain outstanding (re-iterated below)	0

No.	Risk	Issue and recommendation	Officer responsible and due date	Status as at September 2015
1	2	<p><b>Supporting the valuation of Council dwellings</b></p> <p>The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment is revalued at least every five years. In accordance with accounting standards and sector guidance, the Authority also reviews each class of asset as at 1st April 2014 to identify whether there are any conditions arising during the financial year that would materially impact on the valuation.</p> <p>The Authority's internal valuer assessed that an uplift of 15% should be applied to Council Dwellings to reflect the performance of the housing market during the financial year. The valuer did not initially provide the Authority's finance team preparing the draft financial statements and us with appropriate evidence to support the percentage uplift. This information was provided later, during the audit, and we are satisfied that the assumptions made to support the uplift are reasonable and the uplift is in line with relevant indexes.</p> <p>We recommend that in future years the Authority's valuer produces a fully documented rationale to support their valuation of Property, Plant and Equipment. This will provide an appropriate level of assurance to management prior to the preparation of the financial statements and support the audit process.</p>	<p><b>Responsible Officer:</b> Property Disposals and Development Manager</p> <p><b>Due date:</b> 30 June 2015</p>	<p><b>Implemented</b></p> <p>In 2014-15, the Authority provided the appropriate evidence to support the dwellings valuation process and assumptions used.</p>

**This appendix sets out the audit differences.**

**The financial statements have been amended for all of the errors identified through the audit process.**

We are required by ISA 260 to report all uncorrected misstatements, other than those that we believe are clearly trivial, to those charged with governance (which in your case is the Audit Committee). We are also required to report all material misstatements that have been corrected but that we believe should be communicated to you to assist you in fulfilling your governance responsibilities.

**Uncorrected audit differences**

We are pleased to report that there are no material uncorrected audit differences.

**Corrected audit differences**

We are pleased to report that there are no material corrected audit differences.

Our audit has identified an adjustment within one of the politically sensitive disclosures, which, due to the sensitive nature of these disclosure, have a triviality threshold of £1,000. The impact of this one adjustment is to increase the disclosure for termination benefits by £261,000.

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both Public Sector Audit Appointments Ltd and the Authority.

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### Requirements

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the *Code of Audit Practice* (the 'Code') which states that:

*"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd *Terms of Appointment* ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 *Communication of Audit Matters with Those Charged with Governance* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our *Annual Audit Letter*.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

### General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

**We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.**

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Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the *Ethics and Independence Manual* ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual ethics and independence confirmation. Failure to follow these policies can result in disciplinary action.

#### **Auditor declaration**

In relation to the audit of the financial statements of London Borough of Islington and Islington Pension Fund for the financial year ending 31 March 2015, we confirm that there were no relationships between KPMG LLP and London Borough of Islington and Islington Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

For 2014/15 our materiality is £18 million for the Authority's accounts. For the Pension Fund it is £19 million.

We have reported all audit differences over £900k for the Authority's accounts and £950k for the Pension Fund, to the Audit Committee.

### Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2014/15, presented to you in March 2015.

Materiality for the Authority's accounts was set at £18m which equates to around 2 percent of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

### Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and

whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £900k for the Authority.

Where management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

### Materiality – pension fund audit

The same principles apply in setting materiality for the Pension Fund audit. Materiality for the Pension Fund was set at £19 million which equates to approximately 2 percent of gross assets.

We design our procedures to detect errors at a lower level of precision, set at £950k for 2014/15.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

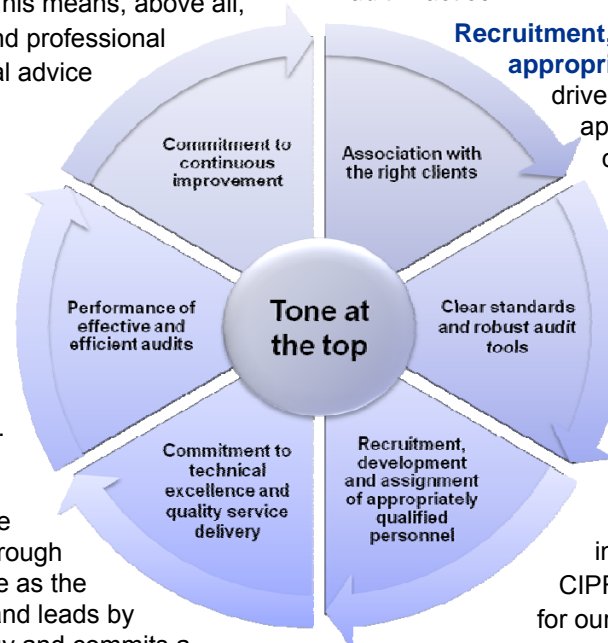
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

**Tone at the top:** We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Phil Johnstone as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

**Association with right clients:** We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

**Clear standards and robust audit tools:** We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudit application has significantly enhanced existing audit functionality. eAudit enables KPMG to deliver a highly

technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



**Recruitment, development and assignment of appropriately qualified personnel:** One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.
- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.
- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.
- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

**We continually focus on delivering a high quality audit.**

**This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.**

**Quality must build on the foundations of well trained staff and a robust methodology.**

**Commitment to technical excellence and quality service delivery:** Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

**Performance of effective and efficient audits:** We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

**Commitment to continuous improvement:** We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

**Our quality review results**

Public Sector Audit Appointments Ltd publishes information on the quality of work provided by us (and all other firms) for audits undertaken on behalf of them (<http://www.psa.co.uk/audit-quality/principal-audits/kpmg-audit-quality/>).

The latest Annual Regulatory Compliance and Quality Report (\*issued June 2015) showed that we are meeting the overall audit quality and regulatory compliance requirements.





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Finance Department  
7 Newington Barrow Way  
London N7 7EP

Tel: 020 7527 2282

W: [www.islington.gov.uk](http://www.islington.gov.uk)

Phil Johnstone, Director  
Public Sector Audit and Assurance  
KPMG LLP  
15 Canada Square  
London E14 5GL

Date: 22 September 2015

Dear Philip,

This representation letter is provided in connection with your audit of the financial statements of London Borough of Islington ("the Authority"), for the year ended 31 March 2015, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
- ii. whether the Pension Fund financial statements of the give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- iii. whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund and the related notes. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:



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## Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
  - i. give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended;
  - ii. give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2015 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2015, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
  - iii. have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

## Information provided

4. The Authority has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Authority for the purpose of the audit; and
  - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
  - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - ii) The Authority has disclosed to you all information in relation to:
    - a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:
      - management;
      - employees who have significant roles in internal control; or
      - others where the fraud could have a material effect on the financial statements; and



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- b) allegations of fraud, or suspected fraud, affecting the Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 Related Party Disclosures.
10. The Authority confirms that there have been no material contractual changes to PFI (Private Finance Initiative) schemes during the 2014/15 financial year.
11. The Authority confirms that:
- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
- b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
12. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
- statutory, contractual or implicit in the employer's actions;
  - arise in the UK and the Republic of Ireland or overseas;
  - funded or unfunded; and



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- approved or unapproved,  
have been identified and properly accounted for; and
- b) all plan amendments, curtailments and settlements have been identified  
and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 22 September 2015.

Yours sincerely,

Cllr Satnam Gill  
Chair of the Audit Committee  
Resources

Mike Curtis  
Corporate Director of Finance and  
Resources



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# Islington Council – Statement of Accounts 2014/15

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## Introduction by the Corporate Director of Finance

I have great pleasure in presenting the Statement of Accounts for the year ended 31<sup>st</sup> March 2015. These accounts give a high level overview of the Council's finances.

### Basis of these accounts

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

### Overview of the Council's finances

The Council's expenditure last year was just over £1bn. This is made up of the gross cost of the day to day services we provide, plus the investments made in your assets and in new facilities for the borough. In the Comprehensive Income and Expenditure Statement, on the line called 'Net Cost of Services', you will see that the gross cost of these services was £936m, and in the Note on Capital Expenditure and Financing, you will see that we spent £84m 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 2014/15 this contribution amounted to £70m. This income resulted in a contribution to general reserves, of just over £0.6m (£0.5m of which was a contribution to schools reserves) for the year. We financed our investments through borrowing of £4m, grants and other external contributions of £16m, contributions from the HRA of £36m, whilst £16m came from revenue sources and £12m from the sale of Council assets.

### Feedback and Public Inspection of the Accounts

We would welcome any feedback or comments you may have on the accounts or the presentation of them. As advertised, the annual public inspection of accounts this year runs from 22nd June to 17th July.



Mike Curtis  
Corporate Director of Finance  
22nd June 2015

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

To Be Inserted at the Conclusion of the Audit in September 2015

To Be Inserted at the Conclusion of the Audit in September 2015

To Be Inserted at the Conclusion of the Audit in September 2015

## Explanatory Foreword to the Statement of Accounts and Summary of the Council's Financial Performance in the Financial Year 2014/15

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

### Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

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

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

The Core Financial Statements comprise:

- Movement in Reserves Statement – shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce taxation) and other reserves.
- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the Council in the year
- Balance Sheet - highlights the Council's financial position as at 31st March 2015, in particular what we own versus what we owe
- Cash Flow Statement - illustrates the Council's total cash transactions in the financial year, split between revenue expenditure (day to day expenditure), capital expenditure (long term investment in assets) and financing transactions (how we pay for the expenditure).

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

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

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

- Fund Account - a summary of the resources generated and consumed by the fund in the year; and
- Net Assets Statement - shows the fund's financial position as at 31st March 2015.

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

## Changes in terminology, presentation and accounting policies

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

## Budget 2014/15

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

## General Fund Outturn 2014/15

Overall, there was a gross General Fund underspend of £3.7m. This entirely relates to in year underspends as the 2014-15 budget did not include any use of general fund balances. After proposed transfers to corporate reserves (£1.5m to redundancy reserve and £1.6m to contingency reserve), there was an unbudgeted transfer of £0.1m to the General Fund balance and £0.5m to schools balances at year end.

The table below shows the revenue outturn position by department.

Departmental income and expenditure (excluding HRA)	Gross Expenditure £'000	Gross Income £'000	Net Outturn £'000	Net Budget £'000	Over / (Under-spend) £'000
<b>Frontline Services</b>					
Children's Services (including schools)	485,696	(384,483)	101,213	102,112	(899)
Environment and Regeneration	123,107	(75,526)	47,581	47,505	76
Housing & Adult Social Services	163,885	(68,814)	95,071	93,240	1,831
Public Health	27,978	(28,059)	(81)	(81)	0
<b>Central Services</b>					
Chief Executive	32,196	(23,469)	8,727	9,314	(587)
Finance & Resources	271,259	(279,697)	(8,438)	(8,199)	(239)
<b>Corporate Items</b>					
Corporate Items	27,992	(275,738)	(247,746)	(243,891)	(3,855)
<b>Gross General Fund Variance</b>	<b>1,132,113</b>	<b>(1,135,786)</b>	<b>(3,673)</b>	<b>0</b>	<b>(3,673)</b>
Approved outturn transfers to earmarked reserves	3,100		3,100		3,100
<b>Net General Fund Variance</b>	<b>1,135,213</b>	<b>(1,135,786)</b>	<b>(573)</b>	<b>0</b>	<b>(573)</b>
Budgeted drawdown from General Fund Balances					0
Unbudgeted transfer to General Fund Balances (excluding schools)					(97)
Unbudgeted transfer to Schools Balances					(476)
<b>Total</b>					<b>(573)</b>

Departmental income and expenditure (including HRA)	Over / (Under-spend) £'000
General Fund over/(under) spend for the year (including schools)	(573)
Housing Revenue Account over/(under) spend for the year	534
<b>*Net expenditure</b>	<b>(39)</b>

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

### Explanation of 2014/15 Variances

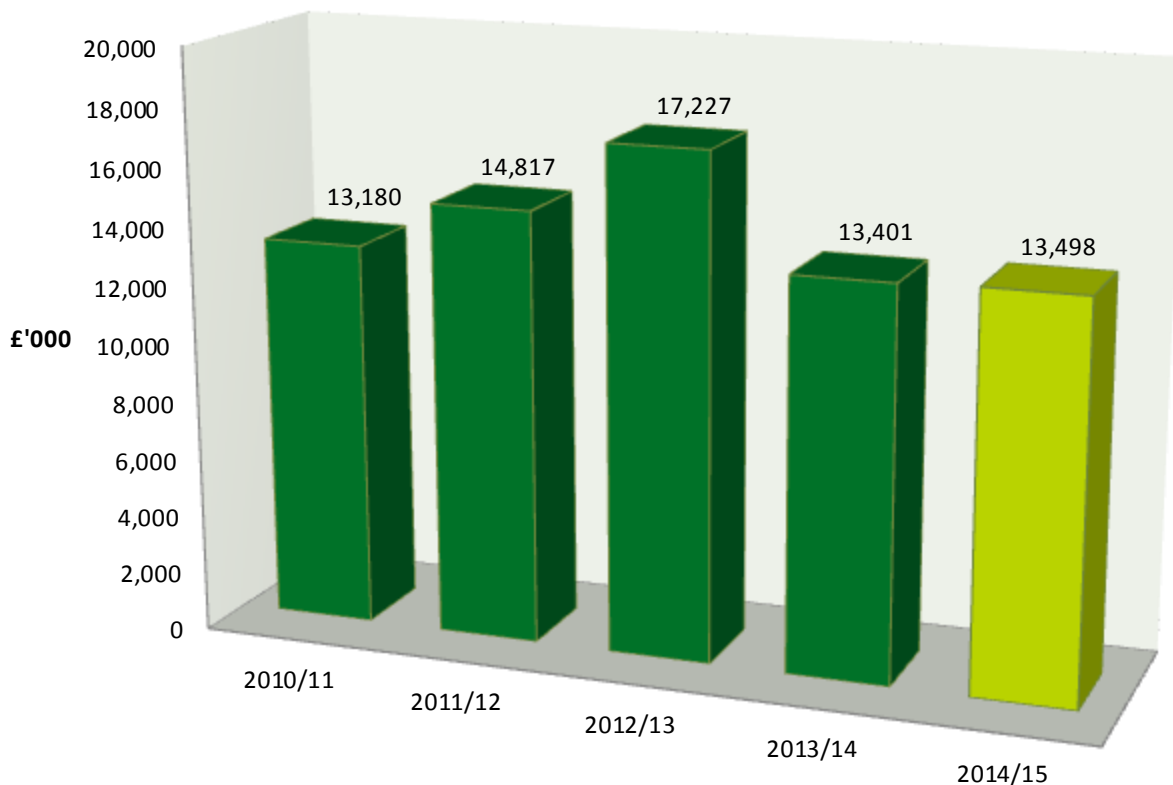
The in year variation in the general fund was due to underspends in Finance and Resources, Chief Executives, Children’s Services (including schools) and corporate items, arising from staffing costs underspends, higher than expected income and (for schools) unused contingencies and underspends carried forward from previous years. These were partly offset by an overspend in Housing General Fund largely due to higher than expected temporary accommodation costs.

Detailed explanations of the Outturn can be found in the 2014-15 Outturn report on the Council’s website: [http://democracy.islington.gov.uk/documents/s4501/Financial%20Monitoring%20Report\\_Month%2012\\_Exec%2021%205%2015.pdf](http://democracy.islington.gov.uk/documents/s4501/Financial%20Monitoring%20Report_Month%2012_Exec%2021%205%2015.pdf)

### General Fund Balances

To maintain its financial strength, the Council aims to maintain the General Fund balance (excluding schools) at a level where it is the equivalent of 5% of the Council’s net budget requirement over the medium term. At 31<sup>st</sup> March 2015 the General Fund balance (excluding schools) totalled £13.5m (£13.4m at 31<sup>st</sup> March 2014) and the schools balance totalled £11.4m (£10.9m at 31<sup>st</sup> March 2014)

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



### Housing Revenue Account 2014/15

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The 2014/15 outturn was a deficit of £0.5m, after transfers to earmarked reserves. At 31<sup>st</sup> March 2015 the HRA balance totalled £13.6m (£14.1m at 31<sup>st</sup> March 2014).

The main variances were one off and recurring costs relating to the integration of the repairs service, improvements to open spaces, CCTV, pension costs and reduced income. These were offset by savings in debt interest, energy costs and void repairs.

## Capital Expenditure and Funding 2014/15

The Council delivered £83.7m of capital expenditure in 2014/15, representing 93% of the annual programme. The table below sets out this expenditure by department:

Capital Expenditure	2014/15 £m
Housing and Adult Social Services	57.5
Children's Services	9.5
Environment & Regeneration	15.1
Finance and Resources	1.3
Corporate Projects	0.3
<b>Total Capital Programme</b>	<b>83.7</b>

The funding of the 2014/15 capital programme is shown in the table below.

Funding Sources	2014/15 £m
Capital Receipts	11.9
Borrowing	3.9
Government Grants and Other External Contributions	16.3
Major Repairs Reserve	35.9
Capital Reserve and Revenue Contributions	15.7
<b>Total Funding</b>	<b>83.7</b>

## Borrowing and Investments 2014/15

The Council's average rate of interest on its debt fell from 5.30% in 2013/14 to 4.32% in 2014-15. As at 31<sup>st</sup> March 2015, the Council had £20m of temporary borrowing and total long term debt of £285.4m (of which £225.3m is Public Works Loan Board loans, £56.5m loans from other local authorities and a £3.6m commercial loan) and held £77m of investments.

### Significant changes since last year's accounts

None in 2014/15.

### Material Assets and Liabilities incurred in year

None in 2014/15.

### Material or Unusual charge or credit to the accounts

None in the current year.

### Significant provisions and contingencies and material write offs

The most significant provision currently maintained by the Council is the Insurance Provision (£11.86m at 31<sup>st</sup> March 2015) The Council self-funds many of its insurable risks. Since 1992/93 the Council has had self-insurance and a large part of the provision relates to claims that have been submitted against the Council since then and are open i.e. not yet paid and fall within the excess limits of current policies. Any claims prior to 1992/93 are handled by its then insurer, MMI. There is a possibility MMI may cease trading and the Council has set aside a sum in the above provision for this possibility.



## Material Events after the reporting date

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

## Significance of the Pensions Liability

The estimated pensions liability facing the Council is £643.3m at the end of the financial year (£460.7m in 2013/14). This liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The total net liability of £643.3m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2015 is £31.2m.

## Looking forward

On 26<sup>th</sup> February 2015, the Council agreed its budget for 2015/16 and set a budget requirement of £218.7m. This resulted in a basic amount of band D Council Tax of £981.01 (representing a council tax increase of 1.99%) and a total amount of band D Council Tax (including GLA precept) of £1,276.01.

<b>Planned Revenue Expenditure</b>	2015/16 £m
<b>Departments</b>	
Children's Services	73,944
Chief Executive	6,870
Environment and Regeneration	30,564
Finance and Resources	467
Housing and Adult Social Services	81,619
Public Health	0
Corporate and Democratic Core / Non-Distributable Costs	16,675
<b>Net Cost of Services</b>	<b>210,139</b>
Net Corporate Items	6,372
<b>Net Operating Expenditure</b>	<b>216,511</b>
<b>Other Budget Items</b>	
Transfer to / (from) Reserves	14,361
New Homes Bonus (net of estimated top-slice to London Local Enterprise Partnership)	(9,884)
Education Services Grant (Estimate)	(2,322)
<b>Amount to be met from core government funding, retained business rates and council tax</b>	<b>218,666</b>

The Council has had to make £112m savings between 2011 and 2015 to balance its budget and the 2015-16 budget included savings of £37m (£25m to cover cuts in government funding and £12m to cover unavoidable cost increases due to inflation and demographic factors). Following the 2015 general election, it is expected that further significant savings will need to be made, particularly in 2016-17 and 2017-18.

The Council also agreed a capital programme of £327m over the three years from 2015/16 to 2017/18 as shown by department below. This includes the continuation of existing programmes of investment in new

homes (£119m), housing major works and improvements (£122m), school buildings (£19m) and Phase 2 of the Bunhill heat and power network (£7m).

<b>Capital Programme 2015/16 to 2017/18</b>	2015/16	2016/17	2017/18	Total
	£'000k	£'000k	£'000k	£'000k
Housing & Adult Social Services	84,508	81,860	83,104	249,472
Children's Services	16,165	4,000	0	20,165
Environment and Regeneration	29,446	15,425	8,326	53,197
Finance & Resources	1,500	1,500	1,500	4,500
<b>Total Capital Programme</b>	<b>131,619</b>	<b>102,785</b>	<b>92,930</b>	<b>327,334</b>

## 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 2014/15 (the Code)*. The Council's designated Chief Finance Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the Council's financial affairs.

### A) The Council's Responsibilities

The Council is required to:

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

### B) The Corporate Director of Finance's Responsibilities

The Corporate Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)*.

In preparing this Statement of Accounts, the Corporate Director of Finance has:

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

The Corporate Director of Finance has also:

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

### C) Certificate

I certify that this Statement of Accounts present a True and Fair view of the financial position of Islington Council as at 31<sup>st</sup> March 2015 and income and expenditure for the year ending on that date.

Mike Curtis, Corporate Director of Finance  
22<sup>nd</sup> September 2015

## 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 2011.

Councillor Satnam Gill  
Chair – Audit Committee  
22<sup>nd</sup> September 2015

## Movement in Reserves Statement

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

Movement in Reserves 2014/2015	General Fund £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserve £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
<b>Balance at 31 March 2014</b>	<b>24,286</b>	<b>64,322</b>	<b>14,077</b>	<b>8,787</b>	<b>32,776</b>	<b>53,956</b>	<b>7,152</b>	<b>205,356</b>	<b>2,027,221</b>	<b>2,232,577</b>
<b>Movement in reserves during 2014/15</b>										
Surplus or (deficit) on the provision of services	(51,310)	-	75,318	-	-	-	-	24,008	-	24,008
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	0	337,025	337,025
<b>Total Comprehensive Income and Expenditure</b>	<b>(51,310)</b>	<b>0</b>	<b>75,318</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,008</b>	<b>337,025</b>	<b>361,033</b>
Adjustments between accounting basis & funding basis under regulations (Note 17)	47,076	-	(70,978)	-	25,613	20,027	(1,143)	20,595	(20,595)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>(4,234)</b>	<b>0</b>	<b>4,340</b>	<b>0</b>	<b>25,613</b>	<b>20,027</b>	<b>(1,143)</b>	<b>44,603</b>	<b>316,430</b>	<b>361,033</b>
Transfers to/(from) Earmarked Reserves (Note 38)	4,807	(4,807)	(4,874)	4,874	-	-	-	0	-	0
<b>Increase/ (Decrease) in 2014/15</b>	<b>573</b>	<b>(4,807)</b>	<b>(534)</b>	<b>4,874</b>	<b>25,613</b>	<b>20,027</b>	<b>(1,143)</b>	<b>44,603</b>	<b>316,430</b>	<b>361,033</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>24,859</b>	<b>59,515</b>	<b>13,543</b>	<b>13,661</b>	<b>58,389</b>	<b>73,983</b>	<b>6,009</b>	<b>249,959</b>	<b>2,343,651</b>	<b>2,593,610</b>

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

## Comprehensive Income and Expenditure Statement

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

2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000
7,031	(3,626)	3,405		Central Services to the Public	7,132	(3,847)
20,502	(958)	19,544	Cultural and Related Services	17,107	(3,117)	13,990
15,188	(4,267)	10,921	Planning Services	13,029	(5,041)	7,988
38,892	(7,610)	31,282	Environmental & Regulatory Services	36,593	(6,763)	29,830
43,950	(31,043)	12,907	Highways, Roads and Transport Services	49,442	(35,271)	14,171
251,238	(225,645)	25,593	Housing Services	255,652	(227,143)	28,509
129,692	(561,366)	(431,674)	Housing Revenue Account (HRA)	139,169	(202,954)	(63,785)
88,344	(17,982)	70,362	Adult Social Care	89,216	(19,079)	70,137
27,510	(26,497)	1,013	Public Health	27,982	(28,136)	(154)
286,364	(194,914)	91,450	Children & Education	301,143	(203,074)	98,069
4,928	-	4,928	Corporate and Democratic Core	3,725	-	3,725
(1,297)	-	(1,297)	Non Distributed Costs	3,345	-	3,345
<b>912,342</b>	<b>(1,073,908)</b>	<b>(161,566)</b>	<b>Net Cost of Services</b>	<b>943,535</b>	<b>(734,425)</b>	<b>209,110</b>
24,965	(33,617)	(8,652)	Other Operating expenditure	45,644	(48,411)	(2,767)
69,624	(9,785)	59,839	Financing and investment income and expenditure	57,485	(11,359)	46,126
-	(282,354)	(282,354)	Taxation and non-specific grant income	-	(276,479)	(276,479)
		<b>(392,733)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(24,010)</b>
		(138,006)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(505,050)
		-	(Surplus) or deficit on revaluation of available for sale financial assets			-
		(121,553)	Actuarial (gains) or losses on pension assets / liabilities			168,027
		9,642	Balances transferred from Homes for Islington & Cambridge Education			-
		<b>(249,917)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(337,023)</b>
		<b>(642,650)</b>	<b>Total Comprehensive income and Expenditure</b>			<b>(361,033)</b>

2013/14 £'000	Reconciliation of the General Fund Balance and Comprehensive Income and Expenditure	2014/15 £'000
<b>(392,733)</b>	<b>Surplus or Deficit on Provision of Services (as reported above)</b>	<b>(24,010)</b>
391,247	Adjustments between Accounting Basis and Funding Basis Under Regulations (Note 17)	23,904
1,501	less HRA Balance	(534)
4,260	Transfer to/from Earmarked Reserves	67
<b>4,275</b>	<b>Movement on General Fund balance</b>	<b>(573)</b>
(28,558)	General Fund balance brought forward (as per MiRs)	(24,286)
<b>(24,283)</b>	<b>General Fund balance carried forward</b>	<b>(24,859)</b>
(13,398)	- which relates to General Fund	(13,495)
(10,885)	- which relates to Schools	(11,364)

## 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 2014 £'000	Balance Sheet	31 March 2015 £'000	Notes
3,224,720	Property, Plant & Equipment	3,710,549	21
487	Heritage Assets	487	25
8,125	Investment Property	12,501	22
513	Intangible Assets	64	23
-	Long Term Assets Held for Sale	-	24
691	Long Term Investments	680	32
17	Long Term Debtors & Prepayments	12	32
<b>3,234,553</b>	<b>Total Long-Term Assets</b>	<b>3,724,293</b>	
5,032	Short Term Investments	77,105	32
456	Short Term Assets Held for Sale	349	24
716	Inventories	962	36
54,342	Short Term Debtors	62,582	35
17,504	Cash and Cash Equivalents	470	41
<b>78,050</b>	<b>Total Current Assets</b>	<b>141,468</b>	
(84,557)	Short Term Creditors	(95,346)	34
(45,900)	Short Term Borrowing	(45,511)	32
(24,898)	Cash and Bank Overdrawn	(20,069)	41
(7,948)	Short Term Provisions	(3,797)	37
(11,718)	Short Term Grants Receipts in Advance	(14,717)	50
<b>(175,021)</b>	<b>Total Current Liabilities</b>	<b>(179,440)</b>	
(9,168)	Long Term Provisions	(14,383)	37
(255,365)	Long Term Borrowing	(263,388)	32
(460,677)	Liability Related to Defined Benefit Pensions Scheme	(643,309)	48
(163,104)	Other Long Term Liabilities	(154,408)	32
(16,691)	Long Term Grants Receipts in Advance	(17,223)	50
<b>(905,005)</b>	<b>Total Long Term Liabilities</b>	<b>(1,092,711)</b>	
<b>2,232,577</b>	<b>Net Assets</b>	<b>2,593,610</b>	
205,355	Usable Reserves	249,959	39
2,027,222	Unusable Reserves	2,343,651	40
<b>2,232,577</b>	<b>Total Reserves</b>	<b>2,593,610</b>	

## 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.

2013/14 £'000	<b>Cash Flow Statement</b>	2014/15 £'000
<b>392,733</b>	<b>Net surplus or (deficit) on the provision of services</b>	<b>24,010</b>
(263,207)	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	104,175
(48,448)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(63,611)
<b>81,078</b>	<b>Net cash flows from Operating Activities (Note 42)</b>	<b>64,574</b>
(28,857)	Investing Activities (Note 43)	(81,525)
(49,061)	Financing Activities (Note 44)	4,746
<b>3,160</b>	<b>Net increase or (decrease) in cash and cash equivalents</b>	<b>(12,205)</b>
(10,554)	Cash and Cash equivalents at the beginning of the reporting period	(7,394)
<b>(7,394)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 41)</b>	<b>(19,599)</b>



## Notes to the Accounts (including pension disclosures)

### 1. Accounting Policies

#### **i. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its financial position at the year-end of 31<sup>st</sup> March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require it to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

#### **ii. Accruals of Income and Expenditure**

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

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

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

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

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

### **iii. Estimation Techniques**

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

### **iv. Cash and Cash Equivalents**

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

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

### **v. Exceptional Items**

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

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

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

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

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

### **vii. Charges to Revenue for Non-Current Assets**

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

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

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

### **viii. Employee Benefits**

#### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end.

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

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

#### **Post-Employment Benefits**

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

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

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

#### **The Local Government Pension Scheme**

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

- The liabilities attributable to the areas of both Islington Council and LPFA pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on

assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on the indicative rate of return on high quality corporate bonds [Sterling Corporate Index, AA over 15 years]).

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

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

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

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

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

#### Discretionary Benefits

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

### **ix. Events after the Balance Sheet Date**

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

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

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

### **x. Financial Instruments**

#### **Financial Liabilities**

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

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

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

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

#### **Financial Assets**

Financial assets are classified into three types:

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

### Loans and Receivables

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

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

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

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

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

### Available-for-Sale Assets

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

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

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

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

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

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

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

#### Fair Value through Profit and Loss

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

#### Instruments Entered Into Before 1 April 2006

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

#### **xi. Foreign Currency Translation**

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

#### **xii. Government Grants and Contributions**

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

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

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

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

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

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

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

### **xiii. Business Improvement District (BID) Schemes**

BID projects are schemes for the benefit of a particular area and financed (in whole or in part) by a BID levy paid by the non-domestic ratepayers, or a class of such ratepayers, in that BID area. There is one BID in operation in 2014/15 for which the Council acts as an agent. As the billing Council, the only amounts recognised in the Comprehensive Income and Expenditure Statement are:

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

### **xiv. Heritage Assets**

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

#### **Civic Regalia**

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

#### **Museum Exhibits**

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

#### **Art Collection**

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

#### **Artefacts of Joe Orton**

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

#### **Other ILHC collections**

The Council has a large collection of books, maps, local newspapers, cuttings, pamphlets and ephemera all relating to the Borough of Islington. It also has electoral and parish registers, local authority records, trade directories, workhouse records and census returns. These are not recognised in the Balance Sheet as the



Authority considers that obtaining valuations would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. This is because of the diverse nature of the assets held and the lack of comparable values.

### Statues and Monuments

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

### Heritage Assets – General

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

### Preservation Costs

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

### **xv. Intangible Assets**

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

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

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

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

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

**xvi. Interests in Companies and Other Entities**

The Council does not have material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and is not required to prepare group accounts.

**xvii. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First-In-First-Out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**xviii. Investment Property**

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

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

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

**xix. Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the ventures rather than the establishment of a separate entity. The Council recognises on its Balance Sheet, where material, the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other ventures, with the assets being used to obtain benefits for the ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

**xx. Leases**

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

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

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

### 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.

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

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

#### Recognition

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

#### Measurement

Assets are initially measured at cost, comprising:

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

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

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

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

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

### Impairment

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

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

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

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

### Depreciation

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

Depreciation is calculated on the following bases:

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

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

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

### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

### Assets under Construction

Where works will result in an asset but are not completed by the end of the financial year, the cost is charged to Assets under Construction within 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.

### **xxii. Private Finance Initiative**

#### PFI / Service Concession Agreements

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor.

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

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

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
- Lifecycle replacement costs – Debited to the relevant service in the Comprehensive Income and Expenditure Statement.

### **xxiii. Provisions, Contingent Liabilities and Contingent Assets**

#### Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the

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

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

#### Contingent Liabilities

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

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

#### Contingent Assets

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

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

#### **xxiv. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **xxv. Revenue Expenditure Funded from Capital under Statute**

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

#### **xxvi. Value Added Tax (VAT)**

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



### **xxvii. Overheads and Support Services**

The costs of overheads and support services are charged to those services that benefit from the full supply or service in accordance with the costing principles of the CIPFA Service Reporting *Code of Practice 2013/14* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### **xxviii. Carbon Reduction Commitment**

The Council is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

## 2. Prior Period Adjustments

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

## 3. Correction of Errors

No material corrections of errors from the 2013/14 Statement of Accounts were identified.

## 4. Accounting Standards Issued, Not Adopted

**IFRS 13 Fair Value Measurement:** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to fair value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.

**IFRIC 21 Levies:** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

**Annual Improvements to IFRSs (2011 – 2013 Cycle):** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

## 5. Critical Judgements in Applying Accounting Policies

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

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

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

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2015 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 £29.9m.

### **Asset Valuations**

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

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

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

### **Depreciation and amortisation**

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

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

If the useful life of assets reduces depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £4.7m for a 10% reduction in useful lives.

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

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

### **Leases / Service Concessions**

The Council has 42 leases for Property, Plant & Equipment and classified them as either Finance or Operating leases. The impact of deeming 19 of these as Finance Leases is that £11.7m of assets have been included in the Balance Sheet. A further 23 assets have been deemed to be operating leases and not recognised in the Asset register.

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

One contractual arrangement, leisure management, has been deemed to have the substance of a lease. The Balance Sheet includes assets of £0.19m and a corresponding liability from such contractual arrangements

### **Outstanding Debtors**

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

### **Bad Debt Provisions**

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

If collection rates were to deteriorate a doubling of the amount of the bad debt provision would require an additional £45.6m to be set aside.

### **Creditors**

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

### **Insurance Provision**

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

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

## **7. Material Items of Income and Expenditure**

In 2014/15 there were no significant individual items of Income or Expenditure. In 2013/14 a revaluation gain of £368m was credited to the HRA to reflect the increase in value of Council dwellings. In the current year the revaluation gain on Council dwellings was accounted through the Revaluation Reserve.

## **8. Acquired and Discontinued Operations**

None in 2014/15.

In 2013/14 public health staff and services were transferred from primary care trusts (PCTs) to local authorities. To discharge their new public health responsibilities, local authorities were provided with a ring-fenced public health grant.

## 9. Profits and losses for significant trading operations

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

2013/14		Significant Trading Operations	2014/15	
(Surplus) / Deficit	Turnover		(Surplus) / Deficit	Turnover
£'000	£'000		£'000	£'000
(78)	(427)	Industrial Estates / Commercial Properties	(602)	(439)
(9)	(715)	Street Markets	(169)	(799)
635	(8,152)	Other (mainly central support costs)	983	(8,965)
<b>548</b>	<b>(9,294)</b>	<b>Total</b>	<b>212</b>	<b>(10,203)</b>

## 10. Significant Agency Income and Expenditure

The Council has an agency agreement with Thames Water for collecting water bills from tenants. The Council received income of £1.310m for this arrangement in 2014/15.

## 11. Schemes under the Transport Act 2000

This note covers the responsibility that authorities have, under Schedule 12 of the Transport Act 2000, to include, in the Statement of Accounts, details of income and expenditure in relation to road charging schemes and workplace charging levies. It does not cover any other expenditure under the Act, such as that relating to bus schemes. There was no such expenditure in 2014/15 or 2013/14.

## 12. Pooled Budgets

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

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

Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the 'host' to the pool. That 'host' has responsibility for the administration of the pool. The host partner is required to produce a memorandum account of the financial activity of the pool, which used to be subject to external audit certification until the requirement was discontinued. During 2014/15, seven pooled funds were in operation and their purpose is explained below.

- 1) Learning Disability Services Pooled Fund: to improve the services received by vulnerable people in the community by integrating the service delivery and commissioning arrangements between health and social care.
- 2) Intermediate Care Pooled Fund: to reduce delayed transfers of care at the Whittington Hospital through the development and improvement of Intermediate Care Services, better acute hospital processes and joint monitoring of progress.

- 3) Integrated Community Equipment Services Pooled Fund: to integrate community equipment stock with no distinction between NHS and Social Services equipment; provide access to the stock by many more Assessors, appropriately trained, leading to one stop provision; and establish a purchasing regime that makes full use of technology, purchasing power and efficiency.
- 4) Mental Health Commissioning Adult Mental Health Care Pooled Fund: to improve the services received by people with mental health care needs in the community by integrating the service delivery and commissioning arrangements between health and social care.
- 5) Carers Pooled Fund: to improve the services and increase support given to people who act as independent carers by integrating the service delivery between Health and social care. This is intended to improve the access to information and advice for carers, develop and train carers in their caring role to better meet their individual needs, as well as the people for whom they care for.
- 6) MHCOP Pooled Fund: to improve the services received by older people with mental health care needs who require residential services by integrating the service delivery and commissioning arrangements between health and social care.
- 7) Mental Health Care Trust Pooled Fund: to integrate the provision of health and social services for people with mental health needs in the London Borough of Islington. The fund will cover the provision of services for the following Client Groups: Adult MH Services Client group, Mental Healthcare of Older People Client group and Substance Misuse Services Client group.

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

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

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

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

### 13. Members' Allowances

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

2013/14 £'000	Members' Allowances	2014/15 £'000
506	Basic Allowance	489
359	Special Responsibility Allowance	325
3	Other Allowances	3
<b>868</b>	<b>Total</b>	<b>817</b>

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

## 14. Officers' Remuneration

### Senior Officers' Remuneration

The tables below show Senior Officers' remuneration for 2014/15 and 2013/14.

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

<b>Senior officers remuneration for 2013/14</b>					
Post	Salary (Including fees & allowances) £	Compensation for loss of employment £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
Chief Executive - Lesley Seary	160,000	-	<b>160,000</b>	17,440	<b>177,440</b>
Assistant Chief Executive - Governance & HR	115,451	-	<b>115,451</b>	12,584	<b>128,035</b>
Assistant Chief Executive - Strategy & Community Partnerships	110,451	-	<b>110,451</b>	12,039	<b>122,490</b>
Corporate Director of Children's Services (0.7 fte from 1/1/14)	134,237	-	<b>134,237</b>	11,854	<b>146,091</b>
Corporate Director of Environment & Regeneration	134,480	-	<b>134,480</b>	14,658	<b>149,138</b>
Corporate Director of Housing & Adult Social Services	129,741	-	<b>129,741</b>	14,142	<b>143,883</b>
Corporate Director of Finance	134,463	-	<b>134,463</b>	14,656	<b>149,119</b>
Corporate Director of Public Health*	112,730	-	<b>112,730</b>	15,779	<b>128,509</b>
<b>Total</b>	<b>1,031,553</b>	<b>0</b>	<b>1,031,553</b>	<b>113,152</b>	<b>1,144,705</b>

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



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

The local elections in 2014/15 led to senior officers receiving payments for work on behalf of the Returning Officer. As payments for work on behalf of the Returning Officer are not made directly by the Council itself, these payments are not part of the Council's remuneration payments to senior officers reported in the tables above. The fees paid to senior officers for work on behalf of the Returning Officer 2014/15 were:

Post	Local Election Role	Fees Received (£)
Chief Executive - Lesley Seary	Returning Officer	15,699
Assistant Chief Executive - Governance & HR	Deputy Returning Officer	5,449
Assistant Chief Executive - Strategy & Community Partnerships	Count Supervisor	250
Corporate Director of Housing & Adult Social Services	Count Supervisor	250
Corporate Director of Finance	Count Superintendent	350
Corporate Director of Public Health*	Count Supervisor	250
<b>Total</b>		<b>22,248</b>

### Remuneration Bands above £50k

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

Remuneration Band	2013/14		2014/15	
	Schools	Other	Schools	Other
	No of employees	No of employees	No of employees	No of employees
£50,000 - £54,999	134	97	127	121
£55,000 - £59,999	73	61	82	52
£60,000 - £64,999	32	33	34	41
£65,000 - £69,999	20	17	23	20
£70,000 - £74,999	21	2	23	9
£75,000 - £79,999	13	8	12	7
£80,000 - £84,999	13	18	13	20
£85,000 - £89,999	9	7	11	1
£90,000 - £94,999	3	2	4	4
£95,000 - £99,999	6	4	2	1
£100,000 - £104,999	2	2	1	5
£105,000 - £109,999	1	2	-	1
£110,000 - £114,999	-	7	2	7
£115,000 - £119,999	1	1	2	1
£120,000 - £124,999	-	-	-	1
£125,000 - £129,999	-	-	-	2
£130,000 - £134,999	1	-	1	-
£135,000 - £139,999	1	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
over £150,000	-	2	-	2
<b>Total</b>	<b>330</b>	<b>263</b>	<b>337</b>	<b>295</b>

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

### **Termination Benefits**

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

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £'000	2014/15 £'000
£0 - £20,000	31	57	96	73	127	130	869	1,066
£20,001 - £40,000	4	3	19	28	23	31	601	805
£40,001 - £60,000	1	2	8	4	9	6	414	278
£60,001 - £80,000	2	1	8	5	10	6	673	430
Over £80,000	2	1	3	5	5	6	609	831
<b>Total</b>	<b>40</b>	<b>64</b>	<b>134</b>	<b>115</b>	<b>174</b>	<b>179</b>	<b>3,166</b>	<b>3,410</b>
Other costs associated with Termination Benefits							524	443
<b>Total Termination Benefits</b>							<b>3,690</b>	<b>3,853</b>

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

The 2014/15 cost of termination benefits of £3.853m includes £1.057m 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 £0.443m other costs associated with termination benefits in 2014/15 relate to additional costs incurred relating to 2013/14 accruals estimates and costs relating to flexible retirement.

### **15. Material transactions with related parties**

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

#### **UK Central Government**

The UK Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefit).

Grants received from Government Departments are set out in the subjective analysis in Note 45 on reporting for resources allocation decisions. Grant receipts outstanding as at 31 March 2015 are shown in Note 50.

#### **Members / Officers**

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

This disclosure note has been prepared using the Council's Register of Member's Declarations of Interest in respect of related party transactions from Members and Chief Officers. Details of each councillor's declarations

can be seen during normal office hours at Islington Town Hall, Upper Street, London, N1 2UD. Please call to make an appointment to view them on 020 7527 3012 or E-mail: [patricia.niclas@islington.gov.uk](mailto:patricia.niclas@islington.gov.uk)

The totals of Members allowances paid in 2014/15 are disclosed in note 13.

Significant Related Party transactions are detailed in the following table:

<b>Related Parties</b>		<b>Income Received 2014/15</b>	<b>Payments Made 2014/15</b>	<b>Balance out- standing @ 31/03/15</b>
<b>Organisation</b>	<b>Nature of Relationship</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Members/Chief Officers</b>				
Voluntary Organisations	5 members and 2 close relatives of a member's family are involved in management of voluntary organisations.	82	307	-
Community Groups	14 members are involved in management of community groups.	42	1,601	3
Housing Associations	1 members and 2 close relatives of members are involved in the management of a housing association.	77	3,319	84
Universities & Colleges	1 member provides consultancy services to a college.	3	43	-
North London Waste Authority	2 Members are board members of this organisation.	967	8,248	(314)
<b>Other Public Bodies</b>				
Local NHS Bodies	Transactions and balances shown here include those relating to partnerships with Local NHS bodies derived from Section 75 of the National Health Service Act 2006 (Pooled Budgets). Further details of the pooled funding arrangements are disclosed in note 14 of the accounts. 4 Members and 1 chief officer are appointed to NHS trusts.	23,123	22,610	(266)
Local authority - Camden	The Council transacts with other local authorities - Camden is the main authority that LBI transacts with.	3,267	1,632	(2,163)
<b>Entities Controlled or Influenced by the Authority</b>				
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.	-	18,154	136
Angel Town Centre Ltd (ATC)	LBI is a member of ATC and has the right to appoint a director. LBI facilitates the collection of the BID levy annually on behalf of the ATC.	336	196	-
<b>Other Related Parties</b>				
Pension Fund	As administrator of the pension fund, the administering authority has direct control of the fund. The related party figures differ from those reported in the Pension Fund due to timing differences.	1,299	31,164	2,598
London Capital Credit Union	Member owned not for profit savings and loans co-operative. The Council has contributed a grant of £250k to this organisation, and has committed to provide further revenue support funding.	-	-	25

## 16. Fees payable to the Appointed Auditor

In 2014/15, Islington Council incurred the following fees relating to external audit:

2013/14 £'000	Audit Costs	2014/15 £'000
268	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	270
34	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	34
29	Fees payable in respect of other services provided by the appointed auditor during the year	-
<b>331</b>	<b>Total Audit Cost</b>	<b>304</b>

## 17. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

2014/15 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves					Movement in Unusable Reserves £'000
	General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	0
<b>Adjustment primarily involving the Major Repairs Reserve</b>						
Transfer of Depreciation to the Major Repairs Reserve	-	21,278	-	(21,278)	-	0
Additional Contributions from the HRA	-	34,580	-	(34,580)	-	0
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	35,831	-	(35,831)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	(116)	-	-	-	116
<b>Adjustments primarily involving the Pensions Reserve</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 50)	(45,737)	(3,889)	-	-	-	49,626
Employer's pensions contributions and direct payments to pensioners payable in the year	31,409	3,612	-	-	-	(35,021)
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	5,411	-	-	-	-	(5,411)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	0
<b>Adjustment primarily involving the Accumulated Absences Account</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	519	(20)	-	-	-	(499)
<b>Total Adjustments</b>	<b>(47,076)</b>	<b>70,978</b>	<b>(25,613)</b>	<b>(20,027)</b>	<b>1,143</b>	<b>20,595</b>

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



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

## 18. Other Operating Expenditure

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

2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000	<b>Other Operating Expenditure</b>	2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000
6,841	-	6,841	Levies	7,558	-	7,558
3,079	-	3,079	Payments to the Government Housing Capital Receipts Pool	10,957	-	10,957
15,045	(33,617)	(18,572)	Gains/Loss on the disposal of non-current assets	27,129	(48,411)	(21,282)
<b>24,965</b>	<b>(33,617)</b>	<b>(8,652)</b>	<b>Total</b>	<b>45,644</b>	<b>(48,411)</b>	<b>(2,767)</b>

## 19. Financing and Investment Income and Expenditure

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

2013/14 Gross Expenditure £'000	2013/14 Gross Income £'000	2013/14 Net Expenditure £'000	<b>Financing and Investment Income and Expenditure</b>	2014/15 Gross Expenditure £'000	2014/15 Gross Income £'000	2014/15 Net Expenditure £'000
37,389	-	37,389	Interest payable and similar charges	31,961	-	31,961
22,650	-	22,650	Net interest on the net defined benefit liability	19,485	-	19,485
-	(203)	(203)	Interest Receivable and similar Income	-	(367)	(367)
(737)	-	(737)	Income and expenditure in relation to investment properties and changes in the fair value	(5,027)	-	(5,027)
480	(288)	192	Gains/Loss on the disposal of investment properties	652	(789)	(137)
9,842	(9,294)	548	Trading operations	10,415	(10,203)	212
<b>69,624</b>	<b>(9,785)</b>	<b>59,839</b>	<b>Total</b>	<b>57,486</b>	<b>(11,359)</b>	<b>46,127</b>

## 20. Taxation and Non Specific Grant Incomes

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

2013/14 Gross Income £'000	<b>Taxation and Non Specific Grant Income</b>	2014/15 Gross Income £'000
(68,119)	Council Tax Income	(70,224)
(111,949)	Revenue Support Grant	(91,548)
(53,362)	Business Rates Retained	(57,818)
(19,616)	Top-up Grant	(19,998)
(17,376)	Non-ringfenced government grants	(21,736)
(11,932)	Capital grants and contributions	(15,155)
<b>(282,354)</b>	<b>Total</b>	<b>(276,479)</b>

**21. Property, Plant and Equipment**

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

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

### Depreciation

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

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

### Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally by Mr Peter Holmes MRICS and Mr Andrew Jeffery MRICS as at 1<sup>st</sup> 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.

<b>Revaluations</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Carried at historical cost</b>	<b>0</b>	<b>0</b>	<b>15,146</b>	<b>179,308</b>	<b>25,067</b>	<b>0</b>	<b>18,297</b>	<b>237,818</b>
<b>Valued at fair value as at:</b>								
31 March 2015	2,903,509	135,480	-	-	-	2,369	-	<b>3,041,358</b>
31 March 2014	-	40,972	-	-	-	972	-	<b>41,944</b>
31 March 2013	-	231,173	-	-	-	3,730	-	<b>234,903</b>
31 March 2012	-	153,401	-	-	-	360	-	<b>153,761</b>
31 March 2011	-	631	-	-	-	134	-	<b>765</b>
<b>Total Cost or Valuation</b>	<b>2,903,509</b>	<b>561,657</b>	<b>15,146</b>	<b>179,308</b>	<b>25,067</b>	<b>7,565</b>	<b>18,297</b>	<b>3,710,549</b>

**Capital Commitments**

At 31st March 2015, 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 £25.3m. Similar commitments at 31st March 2014 were £15.5m. The commitments are:

<b>Capital Commitments</b>	<b>31st Mar 2015</b> <b>£'000</b>
<b><i>Housing Commitments:</i></b>	
New River Green	3,196
Finsbury Estate Boilers	2,935
Elthorne & Hillside Est	2,227
Wakelin House Estate	1,425
Pleydell Estate	1,358
Dover Court Estate	1,280
Camden Rd North	517
Mayville Estate	1,015
FRA FED South & East	772
Levison Way / Archway	763
FRA FED South & East (P2)	707
Miranda Estate Heating	675
Fieldway Cres/Branston	576
Holly Park K&B's	556
Percival Estate	518
Brunswick Estate	2,397
1 Lyon Street	2,102
Parkhurst Road Garages	1,707
King Henry's Walk	574
<b>Total</b>	<b>25,300</b>

## 22. Investment Properties

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

2013/14 £'000	<b>Investment Properties</b>	2014/15 £'000
(496)	Rental income from investment property	(555)
159	Direct operating expenses arising from investment property	224
<b>(337)</b>	<b>Net (gain)/loss</b>	<b>(331)</b>

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

2013/14 £'000	<b>Movement in fair value of Investment Properties</b>	2014/15 £'000
<b>8,047</b>	<b>Balance at start of the year</b>	<b>8,125</b>
	<i>Additions:</i>	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	-
(480)	Disposals	(651)
737	Net gains/(losses) from fair value adjustments	5,027
	<i>Transfers:</i>	
-	to/from Inventories	-
(179)	to/from Property, Plant and Equipment	-
-	Other changes	-
<b>8,125</b>	<b>Balance at end of the year</b>	<b>12,501</b>

## 23. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. Intangible Assets include both purchased licenses and internally generated software. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. At 31<sup>st</sup> March 2015 there were no individual material Intangible Assets.

The carrying amount of Intangible Assets is amortised on a straight-line basis over four years. The amortisation of £449k charged to revenue in 2014/15 was ultimately charged to the service headings in the Net Cost of Services. The movement on Intangible Asset balances during the year is as follows:

2013/14			Intangible Assets	2014/15		
Internally Generated Assets £'000	Other Assets £'000	Total £'000		Internally Generated Assets £'000	Other Assets £'000	Total £'000
			<b>Balance at start of year:</b>			
-	9,254	9,254	Gross carrying amounts	-	9,254	9,254
-	(7,760)	(7,760)	Accumulated amortisation	-	(8,741)	(8,741)
0	1,494	<b>1,494</b>	<b>Net carrying amount at start of year</b>	0	513	<b>513</b>
			<i>Additions</i>			
-	-	-	Internal development	-	-	-
-	-	-	Purchases	-	-	-
-	-	-	Acquired through business combinations	-	-	-
-	-	-	Assets reclassified as held for sale	-	-	-
-	-	-	Other disposals	-	-	-
-	-	-	Revaluations increases or decreases	-	-	-
-	-	-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	-
-	-	-	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	-
-	-	-	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-
-	(981)	(981)	Amortisation for the period	-	(449)	(449)
-	-	-	Other changes	-	-	-
0	513	<b>513</b>	<b>Net carrying amount at end of year</b>	0	64	<b>64</b>
			<b>Comprising:</b>			
-	9,254	<b>9,254</b>	Gross carrying amounts	-	9,254	<b>9,254</b>
-	(8,741)	<b>(8,741)</b>	Accumulated amortisation	-	(9,190)	<b>(9,190)</b>
0	513	<b>513</b>	<b>Net carrying amount at end of year</b>	0	64	<b>64</b>



## 24. Assets Held for Sale

2013/14		Assets Held for Sale	2014/15	
Non Current	Current		Non Current	Current
£'000	£'000		£'000	£'000
<b>0</b>	<b>354</b>	<b>Balance outstanding at start of year</b>	<b>0</b>	<b>456</b>
		Assets newly classified as held for sale:		
-	309	Property, Plant and Equipment	-	349
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	-	Revaluation losses	-	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
-	(80)	Property, Plant and Equipment	-	-
-	-	Intangible Assets	-	-
-	-	Other assets/liabilities in disposal groups	-	-
-	(127)	Assets sold	-	(456)
-	-	Transfers from non current to current	-	-
-	-	[Other movements]	-	-
<b>0</b>	<b>456</b>	<b>Balance outstanding at year-end</b>	<b>0</b>	<b>349</b>

## 25. Heritage Assets

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

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

31 March 2014	Heritage Assets		31 March 2015
£'000			£'000
93	Civic Regalia		93
207	Orton Collection		207
175	Sickert Collection		175
12	Fletcher Collection		12
<b>487</b>	<b>Total</b>		<b>487</b>

### Civic Regalia

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

### **Museum Exhibits**

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

### **Art Collection**

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

### **Joe Orton Artefacts**

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

### **Sadler's Wells Theatre Collection**

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

### **Local History Collections**

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

### **Statues and Monuments**

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

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

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

### **Preservation and Management**

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

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

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

### **26. Construction Contracts**

As of 31<sup>st</sup> March 2015 the Council was not undertaking any construction contracts on behalf of third parties, nor were any such construction contracts undertaken as of 31<sup>st</sup> March 2014.

## 27. Impairment Losses

No significant impairment losses were charged either in 2013/14 or in 2014/15.

## 28. Capitalisation of Borrowing Costs

The Council did not capitalise any borrowing costs either in 2013/14 or in 2014/15.

## 29. Leases

### Council as Lessee

The Council has 19 assets acquired under such leases carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2014 £'000	Leased Assets	31 March 2015 £'000
13,553	Other Land and Buildings	12,566
442	Vehicles, Plant, Furniture and Equipment	269
<b>13,995</b>	<b>Total</b>	<b>12,835</b>

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

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

31 March 2014 £'000	Finance lease liabilities (net present value of minimum lease payments):	31 March 2015 £'000
226	Repayment of liability due within one year	157
847	Repayment of liability due after one year	614
1,859	Finance costs payable in future years	1,084
<b>2,932</b>	<b>Total</b>	<b>1,856</b>

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
Not later than one year	226	157	278	194
Later than one year and not later than five years	270	119	438	230
Later than five years	577	495	2,216	1,432
<b>Total</b>	<b>1,073</b>	<b>771</b>	<b>2,932</b>	<b>1,856</b>

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 2014/15 contingent rents payable by the Council in respect of finance leases totalled £0.43m.

## Operating Leases

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

31 March 2014 £'000	<b>Operating Leases (Lessee)</b>	31 March 2015 £'000
539	Not later than one year	500
1,871	Later than one year and not later than five years	1,781
2,302	Later than five years	1,896
<b>4,712</b>	<b>Total</b>	<b>4,177</b>

## 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 2014 £'000	<b>Operating Leases (Lessor)</b>	31 March 2015 £'000
989	Not later than one year	989
3,285	Later than one year and not later than five years	3,068
3,753	Later than five years	3,016
<b>8,027</b>	<b>Total</b>	<b>7,073</b>

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

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

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

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

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

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

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

- (i) Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- (ii) Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement,
- (iii) Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement,
- (iv) Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator, and
- (v) Lifecycle replacement costs – debited to the relevant service in the Comprehensive Income and Expenditure Statement.

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

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

	<b>Council Dwellings</b> £ '000	<b>Other Land and Buildings<sup>1</sup></b> £ '000	<b>Infra-structure</b> £ '000	<b>Total</b> £ '000
<b>Net Book Value at 1 April 2013</b>	<b>121,047</b>	<b>52,339</b>	<b>11,737</b>	<b>185,123</b>
Additions	432	80	-	512
Depreciation & Impairment	(2,777)	(2,609)	(510)	(5,896)
Revaluation	40,878	-	-	40,878
Disposal	(559)	-	-	(559)
Other	-	-	-	-
<b>Net Book Value at 31 March 2014</b>	<b>159,021</b>	<b>49,810</b>	<b>11,227</b>	<b>220,058</b>
<b>Net Book Value at 1 April 2014</b>	<b>159,021</b>	<b>49,810</b>	<b>11,227</b>	<b>220,058</b>
Additions	-	111	-	111
Depreciation & Impairment	(3,634)	(2,180)	(702)	(6,516)
Revaluation	44,368	-	-	44,368
Disposal	(1,429)	-	-	(1,429)
Other	-	-	-	-
<b>Net Book Value at 31 March 2015</b>	<b>198,326</b>	<b>47,741</b>	<b>10,525</b>	<b>256,592</b>

<sup>1</sup> Value includes equipment associated with Care Homes arrangement

<b>Movement in liabilities resulting from PFI or similar contracts:</b>				
<b>Value at 1 April 2013</b>	<b>(87,514)</b>	<b>(79,517)</b>	<b>(10,354)</b>	<b>(177,385)</b>
New liability incurred	-	-	-	0
Repayments made in year	5,365	1,592	367	7,324
<b>Value at 31 March 2014</b>	<b>(82,149)</b>	<b>(77,925)</b>	<b>(9,987)</b>	<b>(170,061)</b>
<b>Value at 1 April 2014</b>	<b>(82,149)</b>	<b>(77,925)</b>	<b>(9,987)</b>	<b>(170,061)</b>
New liability incurred	-	-	-	0
Repayments made in year	5,575	1,850	398	7,823
<b>Value at 31 March 2015</b>	<b>(76,574)</b>	<b>(76,075)</b>	<b>(9,589)</b>	<b>(162,238)</b>

The projected payments under the agreements are as follows:

<b>Contracted payments due within:</b>	<b>1 year</b>	<b>2-5 years</b>	<b>5-10 years</b>	<b>10-15 years</b>	<b>15-20 years</b>	<b>Over 20 years</b>
	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>	<b>£ '000</b>
<b>Care Homes</b>						
Liability	229	1,082	1,956	2,914	774	
Interest	545	2,013	1,913	954	(0)	
Service Charges	3,787	16,117	22,519	25,478	5,484	
<b>Street Lighting</b>						
Liability	410	2,003	3,882	3,294		
Interest	916	3,231	2,729	664		
Service Charges	1,297	5,586	7,555	5,303		
<b>Housing (1)</b>						
Liability	786	2,998	3,389	6,007	8,991	
Interest	2,858	10,377	10,874	8,723	2,510	
Service Charges	7,510	35,304	57,809	69,138	41,762	
<b>Housing (2)</b>						
Liability	5,245	29,108	20,050			
Interest	7,117	20,673	3,792			
Service Charges	18,954	84,170	40,069			
<b>BSF Phase 1</b>						
Liability	1,343	5,787	9,116	11,904	13,156	0
Interest	2,587	9,475	9,636	6,392	2,351	(0)
Service Charges	1,402	6,623	9,743	11,878	13,054	0
<b>BSF Phase 2</b>						
Liability	486	2,379	3,984	6,240	8,854	6,737
Interest	2,696	10,298	11,430	9,199	5,766	1,264
Service Charges	957	4,131	6,341	7,127	9,438	5,783



### 31. Capital Expenditure and Capital Financing

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

2013/14 £'000	<b>Capital Expenditure and Sources of Capital Financing</b>	2014/15 £'000
<b>745,418</b>	<b>Opening Capital Financing Requirement</b>	<b>738,073</b>
<i>Capital Investment</i>		
73,726	Property, Plant & Equipment	79,627
9,604	Intangibles / REFCUS / Other	3,995
<i>Sources of Finance</i>		
(10,211)	Usable Capital Receipts	(11,886)
(12,630)	Capital Grants	(16,307)
(32,903)	Major Repairs Reserve	(35,831)
-	Other Contributions	-
(19,419)	Capital Expenditure charged in-year to Revenue Accounts	(15,704)
<i>Debt Repayment</i>		
(7,058)	Statutory provision for the repayment of debt	(4,269)
(8,454)	Repayment of PFI / Lease liabilities	(8,023)
<b>738,073</b>	<b>Closing Capital Financing Requirement</b>	<b>729,675</b>
<i>Explanation of Movements in Year</i>		
7,568	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	8,398
-	Increase in Obligation arising from PFI contracts	-
(223)	Assets acquired under finance leases	-
-	Debt repayment	-
<b>7,345</b>	<b>(Increase)/ decrease in Capital Financing Requirement</b>	<b>8,398</b>

## 32. Financial Instruments

### Financial Instruments - Classifications

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

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

#### Financial Liabilities

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

The Council's loan portfolio at year end consisted of Public Works Loan Board (PWLB) loans, Stock Issue and borrowing from local authorities. Under the 2014/15 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

#### Financial Assets

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

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

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

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

Balances in fixed term deposits at 31<sup>st</sup> March 2015 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the Council's portfolio of investments disclosed below.

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

#### Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2014/15.

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

### **Financial Instruments - Balances**

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

Categories of Financial Instruments	Long-term		Current	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
<b>Investments</b>				
Loans and receivables	691	680	-	-
- short term investments*	-	-	5,032	77,105
- cash equivalents	-	-	17,100	-
Available for sale financial instruments	-	-	-	-
Unquoted equity investments at cost	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total investments</b>	<b>691</b>	<b>680</b>	<b>22,132</b>	<b>77,105</b>
<b>Debtors</b>				
Loans and receivables	17	12	-	-
Financial assets carried at contract amounts	-	-	16,083	15,710
<b>Total Debtors</b>	<b>17</b>	<b>12</b>	<b>16,083</b>	<b>15,710</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost**	255,365	263,388	-	-
- cash and bank overdrawn	-	-	24,898	20,069
- short term borrowing***	-	-	45,900	45,513
Financial liabilities at fair value through profit and loss	-	-	-	-
<b>Total borrowings</b>	<b>255,365</b>	<b>263,388</b>	<b>70,798</b>	<b>65,582</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	163,087	154,407	8,060	8,615
Other	17	12	-	-
<b>Total other long term liabilities</b>	<b>163,104</b>	<b>154,419</b>	<b>8,060</b>	<b>8,615</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	21,192	11,292
<b>Total creditors</b>	<b>0</b>	<b>0</b>	<b>21,192</b>	<b>11,292</b>

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that is payable/receivable in 2015/16.

### **Soft Loan**

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2014/15 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consists of Season ticket loans £293k, Gym membership loans £101k and Home computer £438k and are carried at nominal value in the Balance Sheet as they are due within 10 months, 12 months and 2 years respectively; thus the effect on the accounts is deemed to be immaterial.

**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 2014/15	Financial Liabilities	Financial Assets			Total
	Liabilities measured at amortised cost	Loans & Receivables	Available-for-sale assets	Fair Value through P&L	
	£'000	£'000	£'000	£'000	
Interest expense	(30,926)	-	-	-	(30,926)
Losses on derecognition	-	-	-	-	0
Reductions in fair value	-	-	-	-	0
Impairment losses	-	-	-	-	0
Fee expense	-	-	-	-	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>(30,926)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(30,926)</b>
Interest income	-	368	-	-	368
Interest income accrued on impaired financial assets	-	-	-	-	0
Increases in fair value	-	-	-	-	0
Gains on derecognition	-	-	-	-	0
Fee income	-	-	1	-	1
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>368</b>	<b>1</b>	<b>0</b>	<b>369</b>
Gains on revaluation	-	-	-	-	0
Losses on revaluation	-	-	-	-	0
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	0
Account after impairment	-	-	-	-	0
<b>Surplus arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net gain/(loss) for the year</b>	<b>(30,926)</b>	<b>368</b>	<b>1</b>	<b>0</b>	<b>(30,557)</b>

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

### Fair Values of Assets and Liabilities

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

- estimated ranges of interest rates at 31<sup>st</sup> March 2015 of 0.19% to 2.21% for loans from the PWLB and 0.6% to 6.2% for other loans receivable and payable, based on premature redemption rates for equivalent loans at that date.
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value. The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair value comparison of financial assets and liabilities	31 March 2014		31 March 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
<b>Financial Liabilities</b>				
Short Term Borrowing	71,047	-	65,582	-
Long Term Borrowing	255,365	-	263,388	-
<b>Total Borrowing</b>	<b>326,412</b>	<b>375,374</b>	<b>328,970</b>	<b>428,450</b>
Creditors	21,192	21,192	11,292	11,292
<b>Total Financial Liabilities</b>	<b>347,604</b>	<b>396,566</b>	<b>340,262</b>	<b>439,742</b>
<b>Financial Assets</b>				
Long term investments	691	1,075	680	1,181
Short Term Investments	22,132	22,132	77,105	77,105
Debtors	16,100	16,100	15,727	15,727
<b>Total Financial Assets</b>	<b>38,923</b>	<b>39,307</b>	<b>93,512</b>	<b>94,013</b>

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

#### Financial Liabilities

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

#### Financial Assets

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

### 33. Nature and Extent of Risks Arising from Financial Instruments

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

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

The main risks covered are:

- Credit Risk: The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.

- Liquidity Risk: The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- Market Risk: The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

### **Credit Risk**

#### **Loans and Receivables**

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

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2014/15 approved by Full Council on 27/02/2014. The 2014/15 Treasury Strategy can be found via the following web link:

[http://democracy.islington.gov.uk/Data/Audit%20Committee%20and%20Audit%20Committee%20\(Advisory\)/201401301930/Agenda/auditctte201415trystrategy.pdf](http://democracy.islington.gov.uk/Data/Audit%20Committee%20and%20Audit%20Committee%20(Advisory)/201401301930/Agenda/auditctte201415trystrategy.pdf)

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

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

Throughout 2014/15 the minimum criteria using Fitch rating for new investments has been a long term rating of A+ and a short term rating of F1.

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2015, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Credit Risk (Counterparties)	Credit Rating Criteria Met When Investment Placed?	Credit Rating Criteria Met on 31 March 2015	Balance Invested as at 31 March 2015					Total
			Up to 1 month	Greater than 1 month and up to 3 months	Greater than 3 months and up to 6 months	Greater than 6 months and up to 9 months	Greater than 9 months and up to 24 months	
Counterparty	YES / NO	YES / NO	£'000	£'000	£'000	£'000	£'000	£'000
Local Authorities	YES	YES	-	-	18,000	12,000	22,000	52,000
HM Treasury	YES	YES	25,000	-	-	-	-	25,000
<b>Total</b>			<b>25,000</b>	<b>0</b>	<b>18,000</b>	<b>12,000</b>	<b>22,000</b>	<b>77,000</b>

The above analysis shows that all deposits outstanding as at 31<sup>st</sup> March 2015 met the Council's credit rating criteria on the 31<sup>st</sup> March 2015.

### Trade Receivables

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

Credit Risk (Debtors)	Gross Debtors	Average % Default based on Previous Experience 5 years to 2014/15	Average % Default based on Previous Experience for 2013/14	Average % Default based on Previous Experience for 2014/15	Bad Debt Provision for 2014/15
Sundry Debtors	16,980	0.23%	0.08%	0.06%	630

The authority does not generally allow credit for customers, such that £1.6m of the £17.7m balance is past 30 days from invoice date. The remaining £16.1m 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 2014 £'000	31 March 2015 £'000
Less than three months	6,074	16,705
Three to six months	119	234
Six months to one year	134	214
More than one year	309	515
<b>Total</b>	<b>6,636</b>	<b>17,668</b>

### Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to ensure that no more than 25%



of loans are due to mature within any rolling three-year period through a period of careful planning of new loans taken out and making early repayments.

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

The maturity analysis of the nominal value of the Council's debt at 31st March 2015 was as follows:

Liquidity Risk	PWLB		Loan Stock		Other		Total	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	31,935	6,478	-	-	10,000	35,500	41,935	41,978
Between one and two years	6,478	1,112	-	-	-	10,000	6,478	11,112
Between two and five years	5,070	5,070	3,596	3,596	-	31,000	8,666	39,666
Between five and ten years	22,177	29,733	-	-	-	-	22,177	29,733
Between ten and twenty years	71,999	63,331	-	-	-	-	71,999	63,331
More than twenty years	119,545	119,546	-	-	-	-	119,545	119,546
<b>Total</b>	<b>257,204</b>	<b>225,270</b>	<b>3,596</b>	<b>3,596</b>	<b>10,000</b>	<b>76,500</b>	<b>270,800</b>	<b>305,366</b>
Accrued Interest *							3,965	3,536
Trade creditors *							21,192	11,292
Cash Overdrawn *							24,898	20,069
<b>Total Carrying Amount</b>							<b>320,855</b>	<b>340,263</b>

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

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

### **Market Risk**

#### **Interest Rate Risk**

The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of £150m on external debt that can be subject to variable interest rates. At 31<sup>st</sup> March 2015, the debt portfolio was held in fixed rate instruments.

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

## Price Risk

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

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

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

Price Risk	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	(250)
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	(250)
Share of overall impact debited/credited to HRA	206
Decrease in fair value of fixed rate investments	109
Impact on Other Comprehensive Income and Expenditure	(250)
Decrease in fair value of fixed rate borrowings/liabilities*	46,416

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

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

## 34. Short Term Creditors

31 March 2014 £'000	Short Term Creditors	31 March 2015 £'000
15,688	Central Government Bodies	25,378
5,124	Other Local Authorities	4,784
4,364	NHS Bodies	3,806
1,629	Public corporations and trading funds	5,547
57,752	Other Entities and Individuals	55,831
<b>84,557</b>	<b>Total Creditors</b>	<b>95,346</b>

### 35. Short Term Debtors

31 March 2014		Short Term Debtors	31 March 2015	
£'000	£'000		£'000	£'000
	14,331	Central Government Bodies	12,336	
	(7)	Less Impairment for Doubtful Debts	(7)	
<b>14,324</b>		<b>Central Government Bodies</b>		<b>12,329</b>
	2,905	Local Authorities	4,793	
	(77)	Less Impairment for Doubtful Debts	(26)	
<b>2,828</b>		<b>Local Authorities</b>		<b>4,767</b>
	3,335	NHS Bodies	8,492	
	(81)	Less Impairment for Doubtful Debts	(4)	
<b>3,254</b>		<b>NHS Bodies</b>		<b>8,488</b>
	1,161	Public Corporations and Trading Funds	2,565	
	(8)	Less Impairment for Doubtful Debts	(4)	
<b>1,153</b>		<b>Other Public Sector</b>		<b>2,561</b>
	76,601	Other entities and individuals	80,018	
	(43,818)	Less Impairment for Doubtful Debts	(45,581)	
<b>32,783</b>		<b>Other entities and Individuals</b>		<b>34,437</b>
<b>54,342</b>		<b>Total Debtors</b>		<b>62,582</b>

### 36. Inventories

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

31 March 2014		Inventories & Long term Contracts	31 March 2015	
£'000				£'000
		Consumable Stores		
<b>633</b>		<b>Balance outstanding at start of year</b>		<b>716</b>
229		Purchases		315
(147)		Recognised as an expense in year		(70)
-		Written off balances		-
-		Reversal of write-offs in previous years		-
<b>716</b>		<b>Balance outstanding at year-end</b>		<b>961</b>
-		Maintenance Materials		-
-		Client Service Work in Progress		-
-		Property Acquired or Constructed for Sale		-
<b>716</b>		<b>Total</b>		<b>961</b>

### 37. Provisions

Provisions 2014/15	Insurance	Business Rate Appeals	Social Services Charges	Disrepair claims	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Balance at 1 April 2014</b>	<b>11,430</b>	<b>2,260</b>	<b>1,784</b>	<b>424</b>	<b>1,218</b>
Additional provisions made in 2014/15	2,348	1,579	38	101	85	4,151
Amounts used in 2014/15	(1,917)	(549)	(62)	(318)	(241)	(3,087)
Unused amounts reversed in 2014/15	-	-	-	-	-	-
Unwinding of discounting in 2014/15	-	-	-	-	-	-
<b>Balance at 31 March 2015</b>	<b>11,861</b>	<b>3,290</b>	<b>1,760</b>	<b>207</b>	<b>1,062</b>	<b>18,180</b>

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

Provisions 2013/14	Insurance	Business Rate Appeals	Social Services Charges	Disrepair claims	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000
	<b>Balance at 1 April 2013</b>	<b>12,487</b>	<b>0</b>	<b>1,753</b>	<b>341</b>	<b>872</b>
Additional provisions made in 2013/14	2,019	2,260	75	288	997	5,639
Amounts used in 2013/14	(3,076)	-	(44)	(205)	(421)	(3,746)
Unused amounts reversed in 2013/14	-	-	-	-	(230)	(230)
Unwinding of discounting in 2013/14	-	-	-	-	-	-
<b>Balance at 31 March 2014</b>	<b>11,430</b>	<b>2,260</b>	<b>1,784</b>	<b>424</b>	<b>1,218</b>	<b>17,116</b>

Analysis of Balance at 31 March 2014						
Settled within 12 months	3,075	1,447	1,784	424	1,218	7,948
More than 12 months	8,355	813	-	-	-	9,168

#### **Legal claims outstanding (Social Services Charges)**

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

#### **Business Rate Appeals**

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

## Insurance Provision

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

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

External policies cover claims in excess of these limits. In 2014/15, £1.10m was paid in external premiums (£0.85m in 2013/14) for this cover.

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

The following table summarises these with explanatory notes below.

Insurance Fund	£'000
Estimated claims incurred but not yet paid since 1992/93 (1)	8,200
Claims settled prior to 1992/93 (2)	2,900
Provision for claims incurred but yet to be settled prior to 1992/93 (3)	800
Provision for claims yet to be received for events prior to 1992/93 (4)	1,500
<b>Total Insurance exposure at 31 March 2015</b>	<b>13,400</b>

- 1) These are claims which have been submitted against the Council since 1992/93 and are open i.e. not yet paid. They are claims which fall within the excess limits listed in the first paragraph above. The figure of £8.2 million is the total of the individual estimates of the cost of claims which will be paid from the insurance provision when they are settled.
- 2) In 1992/93, the Council's insurer, Municipal Mutual Insurance, ceased taking new business and has since been managed under a "scheme of arrangement". Since the last statement, MMI has become insolvent and the scheme of arrangement has been "triggered". This means that the Council will have to repay a portion of previous settled claims and MMI will only contribute a reduced percentage towards future claims. Latest advice from the accountants that are administering the scheme is that the initial percentage claw-back will be 15%, however, actuarial advice is that the Council should hold provision for 75% as a reasonably prudent position, to allow for additional claw-backs in future years.
- 3) In addition, there are £1.0 million of incurred claims yet to be settled for pre- 1992/93 incidents. As in note 2, the Council is holding a provision of 75% of this amount, circa £0.8million, in the fund.
- 4) Again as in note 2, with the triggering of the MMI insolvency scheme, the Council will be left substantially uninsured for the years prior to 1992/93. There are types of claims that the Council could be exposed to that can date back to the 1950s and 1960s and whilst these are as yet unknown, when they occur they are complex and high in value. Actuarial advice is that whilst there are very large uncertainties involved, in approximate terms the exposure could amount to £2.0m over the next 10 to 20 years. Again, the Council on actuarial advice has provided for 75% of these potential claims, so £1.5m.

The closing balance of the insurance claims provision at 31<sup>st</sup> March 2015 is £13.2m, including £0.6m in the Imprest Accounts. Actuarial advice is that the fund has a deficit of £0.2m. However, given the significant uncertainties over the outcome of the newly notified large abuse claim and uncertainty over the actual number of future abuse claims, no action is required to eliminate the estimated disclosed deficit.

## Insurance London Consortium

The Council is a member of a consortium arrangement to purchase insurance cover along with eight other London boroughs. A contract is in place for the period until 31<sup>st</sup> March 2019, to cover the risks of Property and Liability.

### 38. Transfers to/from Earmarked Reserves

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

Transfers to/from Earmarked Reserves	Balance at 1 April 2014 £'000	Transfers Out 2014/15 £'000	Transfers In 2014/15 £'000	Balance at 31 March 2015 £'000
<b>General Fund</b>				
Invest to Save	(9,028)	2,537	-	(6,491)
Services Specific (Corporate)	(7,626)	6,236	(7,651)	(9,041)
Capital Reserve	(33,996)	14,434	(10,537)	(30,099)
Cemetery Trading Account	-	-	(158)	(158)
Building Schools for the Future	(312)	-	-	(312)
Levies Reserve	(844)	-	-	(844)
Housing Benefit Reserve	(8,418)	1,113	(666)	(7,971)
Redundancy Reserve	(4,004)	2,776	(1,500)	(2,728)
Contingency Reserve	-	-	(1,600)	(1,600)
<b>Total</b>	<b>(64,227)</b>	<b>27,096</b>	<b>(22,112)</b>	<b>(59,243)</b>
Street Market Reserves	(94)	-	(177)	(271)
<b>Grand Total</b>	<b>(64,322)</b>	<b>27,096</b>	<b>(22,289)</b>	<b>(59,515)</b>
<b>HRA</b>				
PFI - Housing PFI I	(5,510)	-	-	(5,510)
Revaluations Smoothing Reserve	(3,277)	102	(4,976)	(8,151)
<b>HRA Total</b>	<b>(8,786)</b>	<b>102</b>	<b>(4,976)</b>	<b>(13,660)</b>

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

*PFI Smoothing Reserves (BSF, Housing PFI 1):* the Government provided support for PFI schemes via up-front PFI credits. It is the Council's policy to appropriate the PFI credits to an earmarked PFI smoothing reserve and draw down to support the PFI contract for a particular year as per the relevant smoothing model.

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

*Capital:* earmarked as part of the funding of the approved capital programme.

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

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

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

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

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

*Contingency:* earmarked to cover contingency pressures over the medium-term.

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

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

### 39. Usable Reserves

31 Mar 2014 £'000	<b>Usable Reserves</b>	31 Mar 2015 £'000
24,286	General Fund	24,859
64,322	Earmarked Reserves - General Fund	59,515
8,787	Earmarked Reserves - HRA	13,661
14,077	Housing Revenue Account	13,543
32,776	Capital Receipts Reserve	58,389
53,956	Major Repairs Reserve	73,983
7,152	Capital Grants Unapplied	6,009
<b>205,356</b>	<b>Total Usable Reserves</b>	<b>249,959</b>

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

### 40. Unusable Reserves

31 March 2014 £'000	<b>Unusable Reserves</b>	31 March 2015 £'000
265,512	Revaluation Reserve	766,020
2,227,268	Capital Adjustment Account	2,220,026
206	Financial Instruments Adjustment Account	90
-	Deferred Capital Receipts Reserve	-
(460,677)	Pensions Reserve	(643,309)
437	Collection Fund Adjustment Account	5,848
-	Unequal Pay Back Pay Account	-
(5,525)	Accumulated Absences Account	(5,024)
<b>2,027,221</b>	<b>Total Unusable Reserves</b>	<b>2,343,651</b>

### **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.

2013/14 £'000	<b>Store of unrealised gains on revaluation of non current assets - Revaluation Reserve</b>	2014/15 £'000
<b>(129,638)</b>	<b>Balance as at 1 April</b>	<b>(265,512)</b>
(143,616)	Gains on Revaluations	(518,347)
1,454	Less Depreciation on Revalued Amounts	4,131
5,610	Less Impairments written off to previous gains	13,297
678	Less gains written out for disposed assets	411
<b>(265,512)</b>	<b>Balance as at 31 March</b>	<b>(766,020)</b>

### **b) Capital Adjustment Account:**

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

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

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

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



2013/14 £'000	<b>Capital Adjustment Account</b>	2014/15 £'000
<b>(1,849,461)</b>	<b>Balance brought forward</b>	<b>(2,227,268)</b>
(10,211)	Capital Expenditure Financed from Usable Capital Receipts	(11,886)
(32,903)	Capital Expenditure Financed from the Major Repairs Reserve	(35,831)
(19,419)	Capital Expenditure Financed from Revenue Resources	(15,704)
(11,047)	Capital Expenditure funded by Grant	(16,298)
8,021	REFCUS funded by Capital Receipts	3,998
983	Amortisation of Intangible Assets	449
(350,098)	Impairment of Assets	24,932
39,595	Depreciation of PPE non-current Assets	46,790
(7,058)	Minimum Revenue Provision	(4,269)
(8,454)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(8,125)
(678)	Write out of Gains relating to Revalued Disposed Assets	(411)
15,525	Current Value of Disposed Assets	27,781
(1,454)	Write out of depreciation on revalued amounts (HCA)	(4,131)
(609)	Gains and losses on Fair Value of Investment Properties	(51)
<b>(377,807)</b>	<b>Total Increase / (Decrease) in Amounts Set Aside to Finance Capital</b>	<b>7,242</b>
<b>(2,227,268)</b>	<b>Balance as at 31 March</b>	<b>(2,220,026)</b>

### **c) Financial Instruments Adjustment Account**

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

The Council uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on Council Tax.

31 March 2014 £'000	<b>Financial Instruments Adjustment Account</b>	31 March 2015 £'000
<b>322</b>	<b>Balance at 1 April</b>	<b>206</b>
-	Premiums and discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-
(116)	Proportion of premiums and discounts incurred in previous financial years charged against the General Fund Balance in accordance with statutory requirements	(116)
<b>206</b>		<b>90</b>
-	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	-
<b>206</b>	<b>Balance at 31 March</b>	<b>90</b>

The £0.090m balance (discounts) relates to loans which were repaid in 2006/07 and subsequently derecognised and transferred to FIAA. The statutory provisions allow the balance to be amortised through the Movement in Reserves Statement (MIRS) / Movement on Housing Revenue Account Statement (MHRAS). In 2014/15, £0.1m has been amortised through the MIRS/MHRAS.

### **d) Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

The Council did not hold any balances within the deferred capital receipts reserve in either 2013/14 or 2014/15.

### **e) Pensions Reserve**

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

31 March 2014 £'000	<b>Pensions Reserve</b>	31 March 2015 £'000
<b>(551,542)</b>	<b>Balance at 1 April</b>	<b>(460,677)</b>
121,553	Actuarial gains or losses on pensions assets and liabilities	(168,027)
(51,356)	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	(49,626)
(9,642)	Business combinations	-
30,310	Employer's pensions contributions and direct payments to pensioners payable in the year	35,021
<b>(460,677)</b>	<b>Balance at 31 March</b>	<b>(643,309)</b>

### **f) Collection Fund Adjustment Account**

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

31 March 2014 £'000	<b>Collection Fund Adjustment Account</b>	31 March 2015 £'000
14	<b>Balance at 1 April</b>	437
423	Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	5,411
437	<b>Balance at 31 March</b>	5,848

**g) Accumulated Absences Account**

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

31 March 2014		<b>Accumulated Absences Account</b>	31 March 2015	
£'000	£'000		£'000	£'000
	5,348	<b>Balance at 1 April</b>		5,523
	-	Business combinations		-
(5,348)		Settlement or cancellation of accrual made at the end of the preceding year	(5,523)	
5,523		Amounts accrued at the end of the current year	5,024	
	175	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		(499)
	<b>5,523</b>	<b>Balance at 31 March</b>		<b>5,024</b>

**41. Cash and Cash Equivalents**

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

2013/14	<b>Cash and Cash Equivalents</b>	2014/15
£'000		£'000
(24,898)	<i>Cash and Bank Overdrawn</i>	(20,069)
17,100	Liquid investments	-
63	Cash held by the Authority	92
341	Bank Accounts	378
17,504	Cash and Cash Equivalents	470
<b>(7,394)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(19,599)</b>

Further information regarding liquid investments is included in note 32.

## 42. Cash Flow Statement – Operating Activities

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

2013/14 £'000	<b>Operating Activities Adjustments</b>	2014/15 £'000
<b>392,733</b>	<b>Net Surplus or (Deficit) on the Provision of Services</b>	<b>24,010</b>
<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>		
39,596	Depreciation & impairment	46,790
(350,098)	Impairment and downward valuations	19,956
983	Amortisation	449
250	Losses or Gains on derecognition of loans & advances in year charged or credited to surplus or deficit on the provision of services	-
-	Soft Loans - Interest adjustment credited to I+E Account during year	-
(527)	Increase/Decrease in Interest Creditors	-
10,801	Increase/Decrease in Creditors	3,008
1	Increase/Decrease in Interest and Dividend Debtors	-
(1,756)	Increase/Decrease in Debtors	(9,182)
(83)	Increase/Decrease in Inventories	(246)
21,047	Pension Liability	14,605
1,663	Contributions to/(from) Provisions	1,065
15,525	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	27,781
(609)	Movement in Investment Property Values	(51)
	Other non-cash items charged to the net surplus or deficit on the provision of services	-
<b>(263,207)</b>	<b>Total</b>	<b>104,175</b>
<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities</b>		
(14,543)	Capital Grants credited to surplus or deficit on the provision of services	(15,155)
-	Proceeds from the sale of short and long term investments	-
(33,905)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(48,456)
<b>(48,448)</b>	<b>Total</b>	<b>(63,611)</b>
<b>81,078</b>	<b>Net Cash Flows from Operating Activities</b>	<b>64,574</b>

The cash flows for operating activities include the following items:

2013/14 £'000	<b>Operating Activities (Interest)</b>	2014/15 £'000
204	Interest Received	277
37,916	Interest Paid	(32,390)
-	Dividends received	-

### 43. Cash Flow Statement – Investing Activities

2013/14 £'000	<b>Investing Activities</b>	2014/15 £'000
(77,029)	Purchase of property, plant and equipment, investment property and intangible assets	(77,119)
(5,324)	Purchase of short-term and long-term investments	(72,062)
(2,100)	Other payments for investing activities	-
33,836	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	48,456
5,000	Proceeds from short-term and long term investments	-
16,761	Other receipts from investing activities	19,200
<b>(28,857)</b>	<b>Net cash flows from investing activities</b>	<b>(81,525)</b>

### 44. Cash Flow Statement – Financing Activities

2013/14 £'000	<b>Financing Activities</b>	2014/15 £'000
10,000	Cash receipts of short- and long-term borrowing	40,000
-	Other receipts/ (payments) from financing activities	4,806
(8,500)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(8,125)
(48,734)	Repayments of short- and long- term borrowing	(31,935)
(2,250)	Council Tax and NDR adjustments	-
423	Appropriation to/from Collection Fund Adjustment Account	-
<b>(49,061)</b>	<b>Net cash flows from financing activities</b>	<b>4,746</b>

## 45. Amounts Reported for Resource Allocation (Segmental Reporting)

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

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

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

Departmental Income and Expenditure 2013/14	Children's Services	Environment & Regeneration	Adults & Housing	Public Health	Chief Executive	Finance & Resources	Central Items	Housing Revenue Account Services	Subtotal Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(14,003)	(42,367)	(39,970)	(2,054)	(3,910)	(7,831)	(129,138)	(198,027)	(437,300)
Government Grants	(179,331)	(3,195)	(7,965)	(24,350)	(1,648)	(205,708)	(159,854)	(23,902)	(605,953)
<b>Total Income</b>	<b>(193,334)</b>	<b>(45,562)</b>	<b>(47,935)</b>	<b>(26,404)</b>	<b>(5,558)</b>	<b>(213,539)</b>	<b>(288,992)</b>	<b>(221,929)</b>	<b>(1,043,253)</b>
Employee expenses	162,800	45,786	31,004	3,363	15,930	36,250	(3,165)	26,938	318,906
Other Services Expenses	117,204	45,566	98,928	21,597	8,482	228,320	31,982	175,273	727,352
Support Service Recharges	14,020	5,051	9,964	2,520	(10,127)	(58,010)	18,133	18,427	(22)
<b>Total Operating Expenses</b>	<b>294,024</b>	<b>96,403</b>	<b>139,896</b>	<b>27,480</b>	<b>14,285</b>	<b>206,560</b>	<b>46,950</b>	<b>220,638</b>	<b>1,046,236</b>
<b>Net Expenditure</b>	<b>100,690</b>	<b>50,841</b>	<b>91,961</b>	<b>1,076</b>	<b>8,727</b>	<b>(6,979)</b>	<b>(242,042)</b>	<b>(1,291)</b>	<b>2,983</b>

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

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

<b>Reconciliation of Departmental Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement</b>	2013/14 £'000	2014/15 £'000
Net expenditure in the Departmental Analysis	2,983	(39)
Net expenditure of services and support services not included in the Analysis	-	-
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-	-
<b>Total</b>	<b>2,983</b>	<b>(39)</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(164,549)	209,173
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>(161,566)</b>	<b>209,134</b>

### Reconciliation to Subjective Analysis

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

	Departmental Analysis	Amounts not included in I&E	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(303,142)	9,733	<b>(293,409)</b>	(9,733)	<b>(303,142)</b>
Interest and Investment Income	(1,085)	1,085	<b>0</b>	(1,085)	<b>(1,085)</b>
Income from Council Tax and NNDR	(128,042)	128,042	<b>0</b>	(128,042)	<b>(128,042)</b>
Government Grants and Contributions	(602,116)	148,887	<b>(453,229)</b>	(148,887)	<b>(602,116)</b>
<b>Total Income</b>	<b>(1,034,385)</b>	<b>287,747</b>	<b>(746,638)</b>	<b>(287,747)</b>	<b>(1,034,385)</b>
Employee Expenses	333,413	(56,124)	<b>277,289</b>	56,124	<b>333,413</b>
Other Services Expenses	579,403	(45,342)	<b>534,061</b>	21,372	<b>555,433</b>
Support Service Recharges	(3)	75,321	<b>75,318</b>	(75,321)	<b>(3)</b>
Depreciation, Amortisation and Impairment	72,273	(3,169)	<b>69,104</b>	3,169	<b>72,273</b>
Interest Payments	52,164	(52,164)	<b>0</b>	52,164	<b>52,164</b>
Precepts and Levies	7,558	(7,558)	<b>0</b>	7,558	<b>7,558</b>
Payments to Housing Capital Receipts Pool	10,957	(10,957)	<b>0</b>	10,957	<b>10,957</b>
Gain or Loss on Disposal of Fixed Assets	(21,419)	21,419	<b>0</b>	(21,419)	<b>(21,419)</b>
<b>Total Operating Expenses</b>	<b>1,034,346</b>	<b>(78,574)</b>	<b>955,772</b>	<b>54,604</b>	<b>1,010,376</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>(39)</b>	<b>209,173</b>	<b>209,134</b>	<b>(233,143)</b>	<b>(24,009)</b>



Reconciliation to Subjective Analysis 2013/14	Departmental Analysis	Amounts not included in I&E	Cost of services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Service Income	(368,981)	62,656	<b>(306,325)</b>	(62,656)	<b>(368,981)</b>
Interest and Investment Income	(200)	200	<b>0</b>	(200)	<b>(200)</b>
Income from Council Tax	(68,119)	68,119	<b>0</b>	(68,119)	<b>(68,119)</b>
Government Grants and Contributions	(605,953)	160,872	<b>(445,081)</b>	(160,872)	<b>(605,953)</b>
<b>Total Income</b>	<b>(1,043,253)</b>	<b>291,847</b>	<b>(751,406)</b>	<b>(291,847)</b>	<b>(1,043,253)</b>
Employee Expenses	318,906	(41,672)	<b>277,234</b>	41,672	<b>318,906</b>
Other Services Expenses	985,319	(363,150)	<b>622,169</b>	(32,566)	<b>589,603</b>
Support Service Recharges	(22)	-	<b>(22)</b>	-	<b>(22)</b>
Depreciation, Amortisation and Impairment	(309,541)	-	<b>(309,541)</b>	-	<b>(309,541)</b>
Interest Payments	60,034	(60,034)	<b>0</b>	60,034	<b>60,034</b>
Precepts and Levies	6,840	(6,840)	<b>0</b>	6,840	<b>6,840</b>
Payments to Housing Capital Receipts Pool	3,079	(3,079)	<b>0</b>	3,079	<b>3,079</b>
Gain or Loss on Disposal of Fixed Assets	(18,379)	18,379	<b>0</b>	(18,379)	<b>(18,379)</b>
<b>Total Operating Expenses</b>	<b>1,046,236</b>	<b>(456,396)</b>	<b>589,840</b>	<b>60,680</b>	<b>650,520</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>2,983</b>	<b>(164,549)</b>	<b>(161,566)</b>	<b>(231,167)</b>	<b>(392,733)</b>

## 46. Contingent Liabilities and Assets

### Legal claims pending settlement

The Council is involved in 4 outstanding employment tribunal cases relating mainly to claims of equal pay, unfair dismissal and/or sex, race or disability discrimination. A liability will arise if either the Council settles a case and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the applicant and the Council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £0.1m.

The Council will also settle claims from a number of personal search companies (together known as "APPS") arising from unlawfully levied charges for searches of the Local Land Charges Register in the period 2005-2010. The estimated potential liability for these claims is under £0.2m, including legal costs. The maximum liability the Council could face for other ongoing civil and disrepair claims is up to £0.8m.

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

### **Termination Benefits**

Due to the unprecedented cuts to the Council's funding from central government, the council will have delivered savings of £112m over the four year period to 2014-15 and has built a further £37m of savings into its 2015/16 budget, realising nearly £150m of savings over five years. Government national budget plans currently indicate that this trend will continue for the next three years at least. A significant number of posts have been cut from the Council workforce and the financial impact of these set out in note 14. There will inevitably be further cuts to the Council workforce. The significant costs in terminating employment contracts in the future cannot be estimated with any great degree of accuracy as they will depend on a number of factors related to the individuals concerned, such as grade and length of service. The Council has created an earmarked reserve as a prudent measure to meet future termination costs. The balance of this reserve was £2.7m at 31st March 2015.

### **Contractual claims pending**

None pending.

### **Guarantees given**

None given

### **Contingent Assets**

None known.

## **47. Events After the Balance Sheet Date**

The audited Statement of Accounts 2014/15 was authorised for issue on 22<sup>nd</sup> September 2015 by Mike Curtis, Corporate Director of Finance. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2015, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **48. Defined Benefit Pension Schemes**

### **Participation in Pensions Schemes**

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

The Council participates in two post-employment schemes:

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

### Transactions Relating to Post-Employment Benefits

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

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

	Local Government Pension Scheme		Discretionary Benefits Arrangements *	
	31 March 2014	31 March 2015	31 March 2014	31 March 2015
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services</i>				
Current service costs including admin. expenses	32,056	28,406	-	-
Past service costs including curtailments	2,093	1,735	-	-
Settlements	(5,442)	-	-	-
<i>Financing and Investment Income and Expenditure</i>				
Net Interest Expense	20,655	17,301	1,995	2,184
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>49,362</b>	<b>47,442</b>	<b>1,995</b>	<b>2,184</b>
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				
<i>Remeasurement of the net defined benefit liability comprising:</i>				
Return on plan assets (excluding the amount included in the net interest expense)	(57,839)	(59,614)	-	-
Actuarial gains and losses arising from changes in demographic assumptions	12,915	-	653	-
Actuarial gains and losses arising from changes in financial assumptions	(104,481)	222,883	(1,777)	4,757
Other (if applicable)	25,834	-	3,142	1
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(74,209)</b>	<b>210,711</b>	<b>4,013</b>	<b>6,942</b>

### **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	(49,362)	(47,442)	(1,995)	(2,184)
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### **Actual amount charged against the General Fund Balance for pensions in the year**

Employers' contributions payable to scheme	26,886	31,560	3,425	3,461
Retirement Benefits Payable to Pensioners	-	-	3,425	3,461

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

### **Pensions Assets and Liabilities Recognised in the Balance Sheet**

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

Scheme History	Funded Liabilities				Unfunded Liabilities		Total 31 March 15 £'000
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits		
	31 March 14 £'000	31 March 15 £'000	31 March 14 £'000	31 March 15 £'000	31 March 14 £'000	31 March 15 £'000	
Present Value of defined benefit obligation	(1,295,989)	(1,568,064)	(43,089)	(46,983)	(51,732)	(55,213)	<b>(1,670,260)</b>
Fair Value of Plan Assets	887,412	983,833	42,721	43,118	-	-	<b>1,026,951</b>
<b>Net liability</b>	<b>(408,577)</b>	<b>(584,231)</b>	<b>(368)</b>	<b>(3,865)</b>	<b>(51,732)</b>	<b>(55,213)</b>	<b>(643,309)</b>

The total net liability of £643m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

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

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

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

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

### 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 2014/15	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	London Pension Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
<b>Opening Fair Value of Scheme Assets at 1st April 2014</b>	<b>887,412</b>	<b>42,721</b>	<b>0</b>
Interest Income	39,043	1,746	-
<i>Remeasurement gain/(loss)</i>			
The return on plan assets, excluding the amount included in the net interest expense	58,564	1,050	-
Other (if applicable)			-
Business combinations			-
Settlements			
Contributions by the employer	31,218	342	3,461
Contributions by scheme participants	10,283	32	-
Benefits paid	(41,662)	(2,709)	(3,461)
Administration expenses	(1,025)	(64)	
<b>Closing Fair Value of Scheme Assets at 31st March 2015</b>	<b>983,833</b>	<b>43,118</b>	<b>0</b>

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

### Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

Local Government Pension Scheme Assets (LGPS)	Quoted	Fair value of scheme assets	
		31/03/2014	31/03/2015
		£000	£000
<b>Equities</b>			
UK quoted	Y	292,846	324,666
Private equity	N	44,371	49,192
Global - North America	Y	97,615	118,060
Global - Europe	Y	53,245	59,030
Global - Japan	Y	8,874	9,838
Global - Pacific (ex Japan)	Y	17,748	19,677
Global - Emerging / Other	Y	53,245	59,030
<b>Sub-total equities</b>		<b>567,944</b>	<b>639,493</b>
<b>Bonds</b>			
UK other	Y	186,357	206,606
<b>Sub-total bonds</b>		<b>186,357</b>	<b>206,606</b>
<b>Property</b>			
UK	Y	106,489	118,060
Overseas	N	8,874	9,838
<b>Sub-total property</b>		<b>115,363</b>	<b>127,898</b>
<b>Cash</b>			
Cash accounts	Y	17,748	9,838
<b>Sub-total cash</b>		<b>17,748</b>	<b>9838</b>
<b>Total assets</b>		<b>887,412</b>	<b>983,835</b>

<b>Local Government Pension Scheme Assets (LPFA)</b>	<b>Quoted</b>	<b>Fair value of scheme assets</b>	
		31/03/2014 £000	31/03/2015 £000
<b>Equities</b>			
Global	Y	11,298	10,477
Investment funds unquoted	N	8,531	4,958
Investment funds quoted	Y	505	-
Private equity	N	2,897	3,277
<b>Sub-total equities</b>		<b>23,231</b>	<b>18,712</b>
<b>Bonds</b>			
LDI	N	2,628	3,234
Target return	Y	1,392	1,509
Investment funds and unit trusts quoted	Y	5,729	7,718
Investment funds and unit trusts unquoted	N	5,465	3,277
<b>Sub-total bonds</b>		<b>15,214</b>	<b>15,738</b>
<b>Alternatives</b>			
Infrastructure	N	1,497	2,113
Property funds	N	1,131	1,207
Commodity funds	Y	465	388
Cash	Y	976	5,045
Derivatives	N	128	(86)
<b>Sub-total alternatives</b>		<b>4,197</b>	<b>8,667</b>
<b>Total assets</b>		<b>42,642</b>	<b>43,117</b>

### **Basis for Estimating Assets and Liabilities**

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

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

The significant assumptions used by the actuary have been:

	Funded and Unfunded				Unfunded	
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers Pension Scheme	
	31 March 14	31 March 15	31 March 14	31 March 15	31 March 14	31 March 15
<b>Long-term expected rate of return on assets in the scheme:</b>						
Equity Investments	7.0%	6.5%	4.0%	7.0%	0	0.0%
Bonds	4.3%	2.9%	4.0%	7.0%	0	0.0%
Other	5.4%	5.5%	4.0%	7.0%	0	0.0%
<b>Mortality assumptions</b>						
<b>Longevity at 65 for current pensioners (in years):</b>						
Men	22.4	22.5	20.8	20.9	22.4	22.5
Women	25.1	25.2	24.3	24.4	25.1	25.2
<b>Longevity at 65 for future pensioners (in years):</b>						
Men	24.6	24.7	23.2	23.3	0.0	0.0
Women	27.4	27.5	26.6	26.7	0.0	0.0
Rate of inflation	2.4%	2.0%	2.6%	3.0%	2.4%	2.0%
Rate of increase in salaries	4.2%	3.8%	4.4%	4.0%	0.0%	0.0%
Rate of increase in pensions	2.4%	2.0%	2.6%	2.2%	2.4%	2.0%
Rate of discounting scheme liabilities	4.4%	3.2%	4.2%	3.0%	4.3%	3.1%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.



Impact on the Defined Benefit Obligation in the Scheme	LGPS		LPFA	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	£000	£000	£000
Longevity (increase or decrease in 1 year)	31,574	(31,574)	(1,684)	1,684
Rate of inflation (increase or decrease by 0.1%)	29,068	(29,068)	635	(626)
Rate of increase in salaries (increase or decrease by 0.1%)	5,883	(5,883)	27	(26)
Rate of increase in pensions (increase or decrease by 0.1%)	29,068	(29,068)	635	(626)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(28,553)	28,553	(647)	657

### **Impact of the Authority's Cash Flows**

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

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £31.6m expected contributions to the LGPS and LPFA schemes in 2014/2015.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 18 years, 2014/15 (18 years 2013/2014), and within LPFA is 14 years in 2014/15 (14 years in 2013/14).

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**

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

## **49. Pension Schemes Accounted for as Defined Contribution Schemes**

### **Teachers' Pension Scheme**

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

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

In 2014/15 the Council paid £7.7m to Teacher's Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2013/14 were £7.4m and 14.1% respectively. There were no contributions remaining payable at the year-end. The contributions due to be paid in the next financial year are estimated to be £7.7m. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2014/15 these amounted to £0.8m (£0.8m in 2013/14).

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

### **NHS Pension Scheme**

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

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

In 2014/15, £221k is payable by the Council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14% of pensionable pay of which £16k was outstanding at year end. The contributions due to be paid in the next financial year are estimated to be £226k. The figures for 2013/14 were £289K and 14% respectively.

## 50. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

Income from Grants, Contributions and Donations	2013/14	2014/15
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	111,949	91,548
Top-up Grant	19,616	19,998
Learning Disability and Health Reform Grant	287	-
New Homes Bonus	9,833	12,007
Council Tax Freeze Grant	864	862
Local Services Support Grant	95	102
Education Services Grant	2,879	2,851
Donated Assets	-	-
Capital Grants	11,932	15,155
Other non specific grants	3,418	5,914
Other donations	-	-
<b>Total</b>	<b>160,873</b>	<b>148,437</b>
<b>Credited to Services</b>		
Dedicated Schools Grant	151,939	154,749
Housing Benefit Subsidy	205,471	205,456
Housing & Council Tax Benefits Administration Grant	2,962	2,395
Public Health Grant	24,350	25,816
Private Finance Initiative	32,907	32,907
Pupil Premium Grant	10,955	14,125
Sixth Form Funding	3,630	3,923
Asylum Seekers	1,273	1,276
Other grants and contributions	11,595	13,031
Other donations	-	-
<b>Total</b>	<b>445,082</b>	<b>453,678</b>

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

31 Mar 2014 £'000	<b>Grant Balances</b>	31 Mar 2015 £'000
<b>Grants Receipts in Advance - Short Term</b>		
<b>Revenue Grants</b>		
(1,593)	Social Care Reform Grant	-
(5,751)	Dedicated Schools Grant	(6,785)
(386)	Public Health Grant	-
(407)	Other Government Grants balances	(1,679)
(10)	Other Contributions balances	-
<b>(8,147)</b>	<b>Total</b>	<b>(8,464)</b>
<b>Capital Grants</b>		
(818)	Government Grants	(735)
(2,700)	s106 Contributions	(5,062)
(53)	Third Party contributions	(455)
<b>(3,571)</b>	<b>Total</b>	<b>(6,252)</b>
<b>Grants Receipts in Advance - Long Term</b>		
<b>Capital Grants</b>		
(371)	Government Grants	(106)
(16,320)	s106 Contributions	(17,117)
-	Third Party contributions	-
<b>(16,691)</b>	<b>Total</b>	<b>(17,223)</b>

## 51. Dedicated Schools Grant

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

Over and under-spending on the two elements are required to be accounted for separately. Details of the deployment of DSG receivable for 2014/15 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2014/15 before Academy recoupment	164,315	-	164,315
Academy figure recouped for 2014/15	(8,681)	-	(8,681)
<b>Total DSG after Academy recoupment for 2014/15</b>	<b>155,634</b>	<b>0</b>	<b>155,634</b>
Brought forward from 2013/14	5,751	-	5,751
Carry forward to 2015/16 agreed in advance	-	-	-
<b>Agreed initial budgeted distribution in 2014/15</b>	<b>35,215</b>	<b>126,170</b>	<b>161,385</b>
In-year adjustments	-	-	-
<b>Final budgeted distribution for 2014/15</b>	<b>35,215</b>	<b>126,170</b>	<b>161,385</b>
less Actual Central Expenditure	(28,430)	-	(28,430)
less Actual ISB deployed to schools	-	(126,170)	(126,170)
plus Local authority contribution for 2014/15	-	-	-
<b>Carry forward to 2015/16 agreed in advance</b>	<b>6,785</b>	<b>0</b>	<b>6,785</b>

## 52. Trust Funds and Other Third Party Funds

The Council does not act as sole or custodian trustee for any trust funds, nor is it a trustee for any other funds. However the Council is responsible for the administration of a number of third party funds. These funds do not represent assets of the Council and, therefore, have not been included in the Council's Balance Sheet. These funds totalled £32.7m at 31<sup>st</sup> March 2015 (£24.1m at 31<sup>st</sup> March 2014) 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

2013/14 £'000	<b>Housing Revenue Account Income and Expenditure Statement</b>	2014/15 £'000
<b>Expenditure</b>		
23,463	Repairs and Maintenance	26,251
84,793	Supervision and Management	86,943
288	Rents, Rates, Taxes and Other Charges	613
17,343	Depreciation of non-current Assets	21,278
-	Impairment of non-current Assets	102
333	Debt Management Costs	274
582	Movement in the allowance for bad debts	817
<b>126,802</b>	<b>Total Expenditure</b>	<b>136,278</b>
<b>Income</b>		
(140,685)	Dwellings Rents (gross)	(147,266)
(1,592)	Non-Dwellings Rents (gross)	(1,878)
(27,566)	Charges for Services & Facilities	(30,122)
(833)	Transfers from General Fund - Communal Use	(833)
(22,855)	PFI Government grant receivable	(22,855)
(367,835)	Revaluation and gain on non-current Assets	-
<b>(561,366)</b>	<b>Total Income</b>	<b>(202,954)</b>
<b>(434,564)</b>	<b>Net Cost of Services as included in the comprehensive Income and Expenditure Statement</b>	<b>(66,676)</b>
2,890	HRA services' share of Corporate and Democratic Core	2,891
<b>(431,674)</b>	<b>Net (Income) / Cost of HRA Services</b>	<b>(63,785)</b>
<b>HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:</b>		
<i>Gain or loss on sale of HRA non-current assets</i>		
(16,171)	Gain or loss on property, plant & equipment	(22,760)
192	Gain or loss on investment properties	289
(128)	Gain or loss on revaluation of investment properties	(4,976)
26,998	Interest payable and similar charges	22,735
(1,018)	Capital Grants and Contributions receivable	(6,101)
(397)	Interest and investment income	(720)
<b>(422,198)</b>	<b>(Surplus)/Deficit for the year on HRA Services</b>	<b>(75,318)</b>

## 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.

2013/14 £'000	<b>Movement on the HRA Statement</b>	2014/15 £'000
(12,786)	<b>Balance on the HRA at the end of the previous year</b>	(14,077)
(422,198)	Surplus or (Deficit) for year on the HRA Income and Expenditure Account	(75,318)
420,697	Adjustments between accounting basis and funding basis under statute	70,978
<b>(1,501)</b>	<b>Net (Increase) or decrease before transfers to or from reserves</b>	<b>(4,340)</b>
210	Transfers to / from reserves	4,874
<b>(1,291)</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>534</b>
<b>(14,077)</b>	<b>Balance on the HRA at the end of the current year:</b>	<b>(13,543)</b>

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

2013/14 £'000	<b>Note on Reconciling Items for the HRA Balance</b>	2014/15 £'000
<b>Adjustments between accounting basis and funding basis under statute</b>		
-	Impairment of non-current Assets	-
1,018	Capital Grants received transferred to Grants Reserve	6,101
(1,345)	REFCUS	-
6,231	Repayment of PFI / lease liabilities	5,702
15,979	Gain or loss on sale of HRA non-current assets	22,391
367,814	Gain or loss on revaluation of council dwellings	-
(3,820)	Net charges made for retirement benefits in accordance with IAS 19	(3,889)
(116)	Differences between interest payable and similar charges including amortisation of premiums and discounts	(116)
2,345	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	3,612
(36)	Differences between any other item of income & expenditure determined by the SerCOP and HRA statutory requirement	(20)
(388)	Capital Receipts to fund Disposal Costs	(664)
(17,343)	Transfer depreciation to Capital Adjustment Account	(21,278)
2,079	Capital Expenditure funded by the HRA	3,281
48,279	Transfers to/from Major Repairs Reserve	55,858
<b>Transfer to / from earmarked reserves</b>		
61	Transfer to/(from) PFI Smoothing Fund	-
149	Amounts transferred to/from HRA Reserve	4,874
<b>420,907</b>	<b>Net additional amount required by statute to be debited or credited to the HRA Balance for the year</b>	<b>75,852</b>

## Notes to the Housing Revenue Account

### 1. Number and types of Dwellings

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

2013/14 Nos	Housing stock numbers	2014/15 Nos
23,231	Flats	23,025
2,462	Houses	2,444
-	Multiple Occupation	-
<b>25,693</b>	<b>Total</b>	<b>25,469</b>

### 2. Value of Dwellings

The value of Council Dwellings as at 31<sup>st</sup> March 2015 was £2.903 billion. The basis of the valuation for these dwellings is 'Existing Use Value for Social Housing' based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The vacant possession factor is 25% (25% in 2013/14), which means that the vacant possession value of the dwellings within the HRA as at 31<sup>st</sup> March 2015 is £11.612 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.

2013/14 £'000	Housing Stock - Value	2014/15 £'000
<b>Operational Assets</b>		
2,402,600	Council dwellings	2,903,511
<b>Other</b>		
18,305	Other Land & buildings	16,151
23,675	Infrastructure Assets	19,914
554	Vehicles, Equipment & Plant	168
5,400	Surplus Non-operational assets	5,406
3	Community Assets	3
6,789	Investment Properties	11,114
10,996	Assets under Construction	17,469
<b>2,468,322</b>	<b>Total</b>	<b>2,973,736</b>



### 3. Major Repairs Reserve

Expenditure financed from the Major Repairs Reserve amounted to £35.83m in 2014/15 (£32.90m in 2013/14).

2013/14 £'000	<b>Major Repairs Reserve</b>	2014/15 £'000
<b>(38,581)</b>	<b>Balance as at 1st April</b>	<b>(53,956)</b>
(17,344)	Transfer from Capital Adjustment Account (equivalent to HRA depr.)	(21,278)
(30,934)	Transfer to/(from) HRA	(34,580)
32,903	Capital Expenditure on Dwellings	35,831
<b>(53,956)</b>	<b>Balance as at 31 March</b>	<b>(73,983)</b>

### 4. Capital Expenditure and Capital Receipts

The Council spent £54.10m on the Housing stock in 2014/15 (£50.49m in 2013/14). Capital Receipts in year amounted to £49.23m of which £10.96m was paid to Central Government.

2013/14 £'000	<b>HRA Capital Expenditure</b>	2014/15 £'000
48,677	Works to HRA Dwellings / Other Properties	51,291
1,809	REFCUS	2,805
<b>50,486</b>	<b>Total</b>	<b>54,096</b>

2013/14 £'000	<b>Capital Expenditure by Funding Source</b>	2014/15 £'000
4,238	Borrowing	1
10,235	Usable Capital receipts	11,917
2,079	Revenue Contributions	-
32,916	Major Repairs Reserve	35,850
-	PFI Funded works	-
1,018	Other	6,328
<b>50,486</b>	<b>Total</b>	<b>54,096</b>

2013/14 £'000	<b>Summary of Capital Receipts</b>	2014/15 £'000
24,833	Usable	38,271
3,079	Paid to DCLG	10,957
-	Reserved	-
<b>27,912</b>	<b>Total</b>	<b>49,228</b>

2013/14 £'000	<b>Summary of Capital Receipts per Property Category</b>	2014/15 £'000
200	Land	-
27,712	Dwellings and Other Properties	49,228
<b>27,912</b>	<b>Total</b>	<b>49,228</b>

### **5. Depreciation**

The amount included in the Housing Revenue Account Income and Expenditure Account for Depreciation amounted to £21.3m in 2014/15 (£17.3m in 2013/14).

2013/14 £'000	<b>Depreciation</b>	2014/15 £'000
15,238	Council Dwellings	19,155
472	Other Land & Buildings	375
908	Infrastructure Assets	1,081
502	Vehicles, Equipment & Plant	385
130	Surplus Non-operational assets / Community Assets	196
93	Intangible Assets	86
<b>17,343</b>	<b>Total Depreciation</b>	<b>21,277</b>

### **6. Impairment**

Nil impairment was charged during 2014/15 (nil for 2013/14).

### **7. Items Directed by the Secretary of State**

None

### **8. Contribution to Pension Reserve**

HRA share of the contribution to the Pension Reserve in 2014/15 was £0.051m (£0.051m in 2013/14).

### **9. Rent Arrears**

Outstanding rent arrears at 31<sup>st</sup> March 2015 were £5.405m. The amounts outstanding at 31<sup>st</sup> March 2014 were £5.088m. During 2014/15, irrecoverable rent arrears of £0.552m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £0.896m. The table below shows the comparison of rent arrears over 2013/14 and 2014/15.

2013/14 £'000	<b>Rent Arrears</b>	2014/15 £'000
2,834	Current Tenants	2,694
2,254	Former Tenants	2,711
<b>5,088</b>	<b>Total</b>	<b>5,405</b>

**10. Exceptional or Prior Year Items**

None this year that have not been disclosed elsewhere.

## Collection Fund Statement

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

### Income and Expenditure Statement for the Collection Fund

2013/14			Summary of Income and Expenditure Account as at 31st March 2015				2014/15		
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	TOTAL			
£'000	£'000	£'000		£'000	£'000	£'000			
<b>Income</b>									
(91,569)	(189,671)	(281,240)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(94,394)	(201,160)	(295,554)			
-	(5,203)	(5,203)	Business Rate Supplement Income		(5,455)	(5,455)			
<b>Transfers from General Fund</b>									
-		-	Council Tax Benefits			-			
	863	863	Transitional Relief		107	107			
		-	Discounts for Prompt Payment	-		-			
<b>Contributions</b>									
		-	Towards previous year's Collection Fund Deficit	-	-	-			
		-	Adjustment of previous years' community charge			-			
<b>(91,569)</b>	<b>(194,011)</b>	<b>(285,580)</b>	<b>Total Income</b>	<b>(94,394)</b>	<b>(206,508)</b>	<b>(300,902)</b>			
<b>Expenditure</b>									
<b>Precepts, Payments &amp; Demands</b>									
12		12	Lloyd Square	13		13			
20,858	36,564	57,422	Greater London Authority	20,793	37,454	58,247			
	5,176	5,176	BRS Payments		5,391	5,391			
66,212	54,846	121,058	London Borough of Islington	66,892	56,181	123,073			
	91,410	91,410	Payments with respect to Central Share		93,635	93,635			
<b>87,082</b>	<b>187,995</b>	<b>275,077</b>	<b>Total Precepts &amp; Demands</b>	<b>87,698</b>	<b>192,661</b>	<b>280,359</b>			
<b>Collection &amp; Admin Costs</b>									
	656	656	Costs of Collection		647	647			
	28	28	BRS Administrative Costs		65	65			
<b>Other Transfers to the General Fund</b>									
	60	60	Renewable Energy Schemes		60	60			
<b>Contributions</b>									
			Towards previous year's Collection Fund Surplus						
			London Borough of Islington		(500)	(500)			
			Greater London Authority		(333)	(333)			
			Central Government		(833)	(833)			
		-	Adjustment of previous years' community charge			-			
<b>Bad and Doubtful Debts / Appeals</b>									
76	236	312	Current Year Write Offs	47	75	122			
	7,534	7,534	Appeals Provision		5,264	5,264			
1,911	2,648	4,559	Allowance for Bad Debts Provisions	2,335	2,472	4,807			
<b>89,069</b>	<b>199,157</b>	<b>288,226</b>	<b>Total Expenditure</b>	<b>90,080</b>	<b>199,578</b>	<b>289,658</b>			
<b>(2,500)</b>	<b>5,146</b>	<b>2,646</b>	<b>(Surplus) / Deficit for the Year</b>	<b>(4,314)</b>	<b>(6,930)</b>	<b>(11,244)</b>			

Collection Fund Account Reserves						
(18)	-	(18)	(Surplus)/Deficit brought forward	(2,518)	5,146	2,628
(2,500)	5,146	2,646	(Surplus)/Deficit for the year	(4,314)	(6,930)	(11,244)
<b>(2,518)</b>	<b>5,146</b>	<b>2,628</b>	<b>Closing Collection Fund Balance</b>	<b>(6,832)</b>	<b>(1,784)</b>	<b>(8,616)</b>

Current Share of (Surplus)/Deficit						
(1,921)	1,544	(377)	London Borough of Islington	(5,252)	(535)	(5,787)
(597)	1,029	432	Greater London Authority	(1,580)	(357)	(1,937)
-	2,573	2,573	Central Government		(892)	(892)
<b>(2,518)</b>	<b>5,146</b>	<b>2,628</b>	<b>Total (Surplus)/Deficit c/f</b>	<b>(6,832)</b>	<b>(1,784)</b>	<b>(8,616)</b>

## 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 2014/15 Council Tax income is made up of following adjustments:

2013/14 £'000	Council Tax Income	2014/15 £'000
(139,261)	Gross Opening Charge	(140,546)
	Less: Adjustments	
8,182	Exemptions	8,063
69	Disabled Relief	72
13,350	Discounts	12,779
(2)	Other Adjustments	-
26,093	Council Tax Support	25,238
<b>(91,569)</b>	<b>Income collectable from Taxpayers</b>	<b>(94,394)</b>

The above discounts figure include localised discounts £641k; mainly older person discounts £498k and cash back £143k, the cost of which is absorbed by the Collection Fund. The £100 council tax discount is awarded to Islington residents, where taxpayer or their partner is 65 or over on 1 April 2014 and are legally responsible for paying council tax at their property.

### C2. Council Tax Base

In 2014/15, there were estimated adjusted 88,082 (86.769-2013/14) residential properties in Islington which were placed in one of eight valuation bands depending on their capital value. The totals for each band 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 69,543 equivalent Band D properties, (68,837-2013/14) and this was used to cover the net expenditure of the authorities that precept the Collection Fund. Table below shows the number of properties in each band and the number of Band D equivalent properties. The 2014/15 band D equivalent council tax including precepts was £1260.87.

Bands	2014/15 Actual Net Chargeable Dwellings as at 31/03/15	2014/15 Council Tax incl precepts	2014/15 Net CTS of Chargeable dwellings at tax setting	Proportion of Band D Charges	2014/15 Band D Equivalent Dwellings at Tax Base for Tax Setting	2013/14 Band D Equivalent Dwellings at tax setting.
	No. of dwellings	£'000	No. of dwellings	%	No. of dwellings	No. of dwellings
A	1,232	841	952	66.7%	635	659
B	4,905	981	2972	77.8%	2312	2,284
C	24,688	1,121	16118	88.9%	14328	14,139
D	27,449	1,261	20337	100.0%	20337	20,168
E	15,107	1,541	12206	122.2%	14918	14,612
F	7,622	1,821	6649	144.4%	9605	9,540
G	6,243	2,101	5885	166.7%	9809	9,782
H	837	2,522	824	200.0%	1648	1,661
<b>Total</b>	<b>88,083</b>		<b>65,943</b>		<b>73,592</b>	<b>72,845</b>
<b>Total Band D Equivalent Dwellings</b>					<b>73,592</b>	<b>72,845</b>
Budgeted Collection Rate					94.50%	94.50%
<b>Net Collection Rate Band D Equivalent Dwellings</b>					<b>69,544</b>	<b>68,839</b>

### **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 2014/15 is 47.1p and the non-domestic rating multiplier is 48.2p. The total amount less reliefs and other reductions, was previously paid back to a central pool (NDR Pool) managed by the Government, which in turns paid back to authorities their share of the pool based on the standard amount per head of resident population.

On 1 April 2013 the Government introduced a new local government funding regime, the Business Rates Retention Scheme. This removed the national pool and instead allows Islington to retain a proportion of business rates and share the rest with the precepting bodies. Local Authorities were required to estimate the amount of business rates to be collected and paid over to the precepting bodies Central Government and Greater London Authority as well as retained.

As part of the localisation the Council also has to finance appeals made in respect of rateable values as defined by the VOA and a provision for these amounts has been estimated in 2014/15.

The total non-domestic rateable value at 31st March 2015 was £493m (£486m at 31st March 2014). The rateable value of the borough has increased after the revaluation of all commercial properties in 2010 by the Valuation Office. However growth was partly offset by transitional protection arrangements, which limits the increase with a phasing over a period of 5 years.

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

2013/14 £'000	<b>Business Rates (NDR)</b>	2014/15 £'000
<b>(223,121)</b>	<b>Gross rates and empty rates due at the end of the year</b>	<b>(235,723)</b>
	<i>Less allowance and adjustments:</i>	
8,313	NDR Payable in respect of previous years	4,152
(863)	Transitional Protection Payments	(107)
25,017	Mandatory Relief	19,040
-	Unoccupied Property Relief	5,277
-	Retail Relief	1,607
-	Small Business Rate Relief	3,467
978	Discretionary Relief	1,129
6	Refund of overpayments	-
<b>33,451</b>	<b>Total Reliefs and Adjustments</b>	<b>34,565</b>
<b>(189,670)</b>	<b>Net Rates Payable After Reliefs and adjustments</b>	<b>(201,158)</b>
656	Costs of Collection	647
863	Transitional Protection Payments	107
60	Disregarded Renewable Energy	60
2,885	Losses in collection	2,547
7,534	Appeals Provision	5,264
<b>(177,672)</b>	<b>Actual Non Domestic Rating Income</b>	<b>(192,533)</b>

#### **C4. Business Rates Supplement (BRS) - Crossrail.**

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

The aggregate rateable value of properties liable for BRS on 31st March 2015 was £347m (£346m at 31st March 2014). The multiplier for the year was 2.0p, giving a possible BRS income of £6.9m (unchanged from 2011/12).

After allowable adjustments, the collectable income from BRS payers for 2014/15 was £5.455m (£5.203m in 2013/14). The £5.390m (£5.175m in 2013/14) payable to GLA is net of £0.065m (£0.028m in 2013/14) collection costs and other adjustments retained by the Council.

2013/14 £'000	<b>Business Rates Supplement (Crossrail)</b>	2014/15 £'000
<b>(5,203)</b>	<b>BRS Due At Year End</b>	<b>(5,455)</b>
	<i>Less allowance and adjustments:</i>	
-	Refund of overpayments	-
-	Losses in collection	41
<b>0</b>	<b>Total</b>	<b>41</b>
<b>(5,203)</b>	<b>Income due from Business Ratepayers</b>	<b>(5,414)</b>
28	Costs of Collection	24
<b>(5,175)</b>	<b>Total</b>	<b>(5,390)</b>

#### **C5. Collection Fund Share of (Surplus)/Deficit**

The surplus and deficits 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 tax base declaration. The final balance on NDR account is also paid in the following year however apportionment is set with the council precepting partners, Central Government (50%), Greater London Authority (20%) and the rest is retained by Islington (30%).



## Pension Fund

### Explanatory Foreword

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

The Pension Fund is a defined benefit scheme built up from contributions paid by both employees and the Council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Employees' contributions to the Fund and the extent of benefits paid out are fixed by Government Regulations. An independent actuary assesses the Council's contribution rate every three years. The Local Government Pension Scheme is operated under regulations made under Sections 7 and 12 of the Local Government Superannuation Act 1972. The Local Government Pension Scheme Regulations 2013 (as amended ( "the 2013 Regulations") and the Local Government Pension Scheme ( Transitional Provisions, Saving and Amendment) Regulations 2014 ("2014 Transitional Regulations") (collectively; "the Regulations" provide the statutory framework from which the administering Authority is required to cover contributions, valuation of the Fund and benefits. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, as amended, cover fund management and suitable investments. The Pension Fund Accounts have been drawn up in accordance with the 2014/15 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the provisions of Chapter 2 of the Statement of Recommended Practice "Financial Reports of Pension Schemes.

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

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

"The Statement of Investment Principles, Funding Strategy Statement and Governance Policy Statement, for the Fund are available on the Council's website:

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

Power is given in The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations” and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 to admit employees of other organisations to the London Borough of Islington Pension Fund. Lists of the scheduled and admitted bodies to the fund are detailed below:

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

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

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

## Accounting Policies

The accounts have been prepared in accordance with the provisions of Chapter 2 of Recommended Accounting Practice of the Pension SORP May 2007 and the 2014/15 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is IFRS compliant. The financial statements have been prepared on an accruals basis except for transfers to and from the scheme which are accounted for on a cash basis.

The principal accounting policies of the scheme are as follows:

### **1. Investments**

Investment values are at bid price.

Listed investments are shown in the Pension Fund accounts at market value, determined by Stock Exchange prices at the net asset statement date.

Fixed interest securities are stated at their bid price. The value of fixed interest investments in the Fund's investment portfolio excludes interest earned but not paid over at the Fund year-end, which is included separately within accrued investment income.

Current market value of equities is based on bid price as provided by fund managers.

Index linked securities are valued at bid price.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads or single price where there are no bid/offer spreads as provided by the investment manager.

Managed funds and Unit trusts are valued at the price quoted by their respective managers on the last trading day of the year, which is determined by the market value of the underlying investments.

Private equity is priced on the latest audited valuation plus any drawdowns and distributions to the 31 March 2015.

Property is valued on the unit price as quoted by the fund manager.

Derivatives are stated at market value.

Corporate bonds are managed in a pooled fund valued at a single swinging price.

Acquisition costs of assets are included within the historic cost of the assets.

### **2. Investment Income**

Investment income (e.g. dividends and interest on Government Stocks) is accounted for on an accruals basis.

Investment income is taken into account where dividends have been declared at the end of the financial year.

Investment income also includes withholding tax where this cannot be recovered. The amount of irrecoverable withholding tax is disclosed as a separate line in the face of the account.

### **3. Foreign Currencies**

Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling at 31 March 2015.

#### **4. Contributions**

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

#### **5. Benefits Payable**

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

#### **6. Transfers**

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

#### **7. Expenses**

Regulations permit the Council to charge administration costs and the investment managers' fees to the Fund.

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

##### **Administrative expenses**

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

##### **Oversight and governance costs**

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

##### **Investment management expenses**

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

All expenses are recognised on an accrual basis net of any recoverable VAT.

#### **8. Stock Lending**

The fund does not participate in stock lending.

### **9. Additional Voluntary Contributions**

Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2009. Total contribution paid by members during 2014/15 amounted to £127,390 and the value of the fund as at 31 March 2015 was £1.407m.

### **10. Actuarial Position**

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

**Income and Expenditure Account**

2013/14 £'000	<b>Pension Fund Account (dealing with members, employers and others directly involved in the scheme)</b>	2014/15 £'000	Note
<b>Income</b>			
28,962	Employer contributions	33,902	2
9,831	Members contributions	10,917	2
3,767	Transfers in from other pension funds	1,696	3
2,530	Other Income	2,670	4
<b>45,090</b>	<b>Total Income</b>	<b>49,185</b>	
<b>Expenditure</b>			
(44,535)	Benefits payable	(45,467)	5
(9,057)	Payment to and on account of leavers	(3,363)	6
<b>(53,592)</b>	<b>Total Expenditure</b>	<b>(48,830)</b>	
<b>(2,118)</b>	<b>Management Expenses</b>	<b>(2,544)</b>	7
<b>(10,620)</b>	<b>Net additions/ (withdrawals) from dealing with members</b>	<b>(2,189)</b>	
<b>Returns on investments</b>			
28,531	Investment income	12,334	8
36,999	Change in market value (realised & unrealised)	103,016	
<b>65,530</b>	<b>Total Returns on investments</b>	<b>115,350</b>	
<b>Net return on investments</b>			
54,910	Net increase/decrease in fund in year	113,161	
<b>919,106</b>	<b>Opening net assets of the scheme</b>	<b>974,016</b>	
<b>974,016</b>	<b>Closing net assets of the scheme</b>	<b>1,087,177</b>	

**Net Assets Statement**

2013/14 £'000	<b>Net Assets Statement for the year ended 31 March 2015</b>	2014/15 £'000	Note
<b>Investments</b>			
950,833	Investment assets	1,067,966	9
20,881	Other Investment and Cash	19,089	9
<b>971,714</b>	<b>Total Investments</b>	<b>1,087,055</b>	
<b>Current Assets and Liabilities</b>			
3,871	Current assets	4,885	10
(1,569)	Current liabilities	(4,763)	11
<b>2,302</b>	<b>Net Current Assets</b>	<b>122</b>	
<b>974,016</b>	<b>Net assets of the scheme at 31 March</b>	<b>1,087,177</b>	

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 2014/15 financial year and its positions as at 31<sup>st</sup> March 2015. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15* which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector

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

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



## 2. Contributions Receivable

### a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery*	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
<b>Administering Authority</b>						
Islington Council	24,810	29,796	-	-	1,658	1,426
<b>Scheduled Bodies</b>						
St Mary Magdalene	142	254	-	-	-	-
City of London Academy	91	112	-	-	-	-
New North Community School	72	58	-	-	-	-
William Tyndale School	86	69	-	-	-	-
The Courtyard School	6	18	-	-	-	-
Stem 6th form Academy	2	5	-	-	-	-
Elliot Foundation	-	16	-	-	-	-
Whitehall Park School	-	5	-	-	-	-
<b>Admitted bodies</b>						
CSV	941	902	-	700	78	106
Aquaterra	226	0	-	-	-	27
Circle Anglia	12	21	-	-	-	-
Camden & Islington NHS Foundation Trust	65	65	-	-	-	-
Notting Hill Trust	1	-	-	-	-	-
NCP Services (Islington South)	16	21	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	21	22	-	-	-	58
Southern Housing Group	5	6	-	-	-	-
Braithwaite	3	4	-	-	-	-
Pleydell	10	16	-	-	-	-
Caterlink	148	143	-	-	-	-
Mouchel Parkman	-	-	-	-	-	-
Cofely Workplace Ltd (Balfour Beatty)	71	111	-	-	-	-
R M Education	8	12	-	-	-	-
**Kier support Services	405	141	-	(356)	37	-
Breyer Group	17	18	-	-	-	-
Mears Ltd	27	35	-	-	-	-
Greenwich Leisure Ltd	4	91	-	-	-	-
<b>Totals</b>	<b>27,189</b>	<b>31,941</b>	<b>0</b>	<b>344</b>	<b>1,773</b>	<b>1,617</b>

\*Note 15 provides further information regarding "Strain Recovery"

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

## b) Members' Contributions

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

<b>Contributions receivable - Members contributions</b>	<b>Normal Contributions (inc Added Years Contributions)</b>	
	<b>2013/14</b> £'000	<b>2014/15</b> £'000
<b>Administering Authority</b>		
Islington Council	9,056	10,283
<b>Scheduled Bodies</b>		
St Mary Magdalene	93	134
City of London Academy	52	54
New North Community School	16	20
William Tyndale School	13	15
The Courtyard School	4	10
Stem 6th form Academy	3	5
Elliot Foundation	-	17
Whitehall Park School	-	2
<b>Admitted bodies</b>		
CSV	185	115
Aquaterra	76	-
Circle Anglia	2	2
Camden & Islington NHS Foundation Trust	9	7
NCP Services (Islington South)	9	9
SSE Contracting Ltd (Islington Lighting)	7	6
Southern Housing Group	1	1
Braithwaite	2	2
Pleydell	6	6
Caterlink	54	54
Cofely Workplace Ltd (Balfour Beatty)	34	40
R M Education	7	7
Kier Support Services	181	69
Breyer Group	9	7
Mears Ltd	11	12
Greenwich Leisure Ltd	1	40
<b>Totals</b>	<b>9,831</b>	<b>10,917</b>

**3. Transfers in**

2013/14 £'000	Transfers in	2014/15 £'000
-	Group transfers in from other schemes	-
3,767	Individual transfers in from other schemes	1,696
<b>3,767</b>	<b>Total transfers in</b>	<b>1,696</b>

**4. Other Income**

2013/14 £'000	Other Income	2014/15 £'000
0	Income from Other Investments	0
0	Interest	0
2,530	Other	2,670
<b>2,530</b>	<b>Total other income</b>	<b>2,670</b>

## **5. Benefits**

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

<b>Benefits Payable</b>	<b>Pensions</b>		<b>Lump sum benefits</b>		<b>Lump sum death</b>	
	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2013/14</b>	<b>2014/15</b>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Administering Authority</b>						
Islington Council	34,112	35,887	6,174	5,603	1,186	648
<b>Scheduled Bodies</b>						
St Mary Magdalene	6	7	-	-	-	-
City of London Academy	3	7	19	32	-	-
New North Community School	4	9	-	-	-	-
<b>Admitted bodies</b>						
CSV	872	951	175	162	-	21
Aquaterra	198	213	-	-	-	-
Circle Anglia	49	53	88	51	-	-
Camden & Islington NHS Foundation Trust	49	51	-	-	-	-
CEA	789	812	-	-	-	-
FSST	6	6	-	-	-	-
Kier Islington Ltd (Caxton)	542	581	-	-	-	-
NCP Services (Islington South)	28	30	-	15	-	-
SSE Contracting Ltd (Islington Lighting)	21	33	-	34	-	-
Redbrick	2	2	-	-	-	-
Mouchel Parkman	30	31	-	-	-	-
St Lukes	2	2	-	-	-	-
ALA	9	15	23	22	-	-
Brunswick	9	9	2	-	-	-
Cushman & Wakefield LLP	12	7	-	-	-	-
London Property Maintenance	-	0	-	-	-	-
Caterlink	2	11	-	33	20	2
Notting Hill Trust	14	12	13	-	-	-
Kier Support Services	2	18	71	91	-	-
Cofely Workplace Ltd (Balfour Beatty)	1	2	2	-	-	-
Greenwich Leisure Ltd	-	4	-	-	-	-
<b>Totals</b>	<b>36,762</b>	<b>38,753</b>	<b>6,567</b>	<b>6,043</b>	<b>1,206</b>	<b>671</b>

## **6. Payments to and on Account of Leavers**

<b>2013/14</b>	<b>Payment to and on Account of Leavers</b>	<b>2014/15</b>
<i>£'000</i>		<i>£'000</i>
6	Refunds of Contributions	37
6,079	Group Transfers*	-
2,972	Individual Transfer	3,326
<b>9,057</b>	<b>Total payments to and on account of leavers</b>	<b>3,363</b>

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

## 7. Management Expenses

2013/14 £'000	<b>Management Expenses</b>	2014/15 £'000
922	Administrative Cost (7a)	1,172
944	Investment Management Expenses (7b)	1,155
252	Oversight and Governance Cost (7c)	217
<b>2,118</b>	<b>Total Management Expenses</b>	<b>2,544</b>

### 7(a) Administrative Expenses

2013/14 £'000	<b>Administrative expenses</b>	2014/15 £'000
747	Employee Cost	727
173	Support services	445
2	Other expenses	0
<b>922</b>	<b>Total administrative expenses</b>	<b>1,172</b>

All other costs of administration are borne by Islington Council.

### 7(b) Investment Expenses

2013/14 £'000	<b>Investment Expenses</b>	2014/15 £'000
879	Management Fees	1,094
65	Custody Fees	61
<b>944</b>	<b>Total investment management expenses</b>	<b>1,155</b>

### 7(c) Oversight and Governance Cost

2013/14 £'000	<b>Oversight &amp; Governance Cost</b>	2014/15 £'000
26	Performance Management Services	29
121	Advisory Services Fees	123
37	Operation and Support	44
47	Actuarial Fees	0
21	Audit Fees	21
-	Legal Fees	-
<b>252</b>	<b>Total Oversight &amp; Governance Cost</b>	<b>217</b>

### 8. Income from Investments

2013/14 £'000	<b>Investment Income</b>	2014/15 £'000
17,623	Dividends from equities	16,973
8,688	Income from other investments vehicles	(6,929)
2,220	Net rents from pooled investment properties	2,290
-	Interest on cash deposits	0
<b>28,531</b>	<b>Total Investment income</b>	<b>12,334</b>
-	Irrecoverable withholding tax	-
<b>28,531</b>	<b>Total Investment income</b>	<b>12,334</b>

### 9. Investments

Investments	Market value 01 Apr 14 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 15 £'000
Fixed interest securities	77	-	-	8	85
Indexed linked securities	120	-	-	1	121
Equities	507,071	62,955	47,738	42,911	565,199
Pooled investment vehicles (P.I.V)	270,936	250	228	36,636	307,594
Other Investment - P.I.V	-	-	-	-	-
Properties - P.I.V	129,221	8,111	3,418	18,136	152,050
Private Equity - P.I.V	43,395	2,962	8,777	5,337	42,917
Venture Capital	13	-	-	(13)	-
<b>Total</b>	<b>950,833</b>	<b>74,278</b>	<b>60,161</b>	<b>103,016</b>	<b>1,067,966</b>
Other Investment & Cash	20,881				19,089
<b>Total Investments</b>	<b>971,714</b>				<b>1,087,055</b>

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

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

<b>Investment Assets by Type</b>		2013/14	2014/15
		£'000	£'000
<b>Fixed interest securities (valued at Bid Price)</b>			
Fixed interest securities (valued at Bid Price)		77	85
<b>Total Fixed interest securities</b>		<b>77</b>	<b>85</b>
<b>Index -linked</b>			
UK public sector quoted		120	121
<b>Total Index -linked</b>		<b>120</b>	<b>121</b>
<b>Equities (valued at Bid Price)</b>			
UK quoted		270,673	283,548
Overseas quoted		236,398	281,651
<b>Total Equities</b>		<b>507,071</b>	<b>565,199</b>
<b>Pooled investment vehicles (valued at Bid Price)</b>			
UK Managed Funds	Property	76,797	89,008
	Other : Bond	195,242	221,099
Overseas Managed Funds	Other : Equity	68,206	75,882
	Property	8,750	15,780
	Other : Private Equity	43,395	42,917
UK Unit trusts (valued at Bid Price)	Property	43,674	47,262
	Other	7,501	10,613
<b>Total Pooled investment vehicles</b>		<b>443,565</b>	<b>502,561</b>
<b>Insurance policies</b>			
Insurance policies		-	-
<b>Other investment balances (valued at Amortised cost)</b>			
Outstanding trades		213	2,621
Outstanding dividends & RWT		2,274	(2,096)
Cash deposits : Sterling		18,394	18,564
<b>Total Other investment balances</b>		<b>20,881</b>	<b>19,089</b>
<b>Total Investment Assets</b>		<b>971,714</b>	<b>1,087,055</b>

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

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

## 10. Current Assets

2013/14 £'000	<b>Current Assets</b>	2014/15 £'000
3,836	Contributions due from Employers & Employee	4,416
35	Sundry Debtors	76
-	Cash Balances	393
<b>3,871</b>	<b>Total</b>	<b>4,885</b>

## 11. Current Liabilities

2013/14 £'000	<b>Current Liabilities</b>	2014/15 £'000
(585)	Accrued Benefits	(576)
(766)	**Sundry Creditors	(2,520)
-	*Receipt in Advance	(1,230)
(217)	Accrued Expenses	(437)
<b>(1,568)</b>	<b>Total</b>	<b>(4,763)</b>

\* CSV Advance lump sum payment for 2015-17

\*\* Central Recharges & One off IT Cost

## 12. Expenditure

a) Benefits provided by the scheme include:

- Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

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

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

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

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



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

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

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

### **13. Income**

Income is credited to the Pension Fund consisting mainly of:

a) Employees' contributions ranging between 5.5% 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 2013, effective from 1 April 2014 fixed at 12.5% of pensionable payroll costs. In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over twenty two years. A lump sum contribution of £10.9m was made in 2014/15.

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

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

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

f) The Pension Fund is Tax Exempt

### **14. Actuarial Position**

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

#### **Pension Fund Triennial Revaluation**

The Pension Fund Triennial revaluation carried out as at 31 March 2013 came into effect in terms of altered employer contributions from 1 April 2014 to 31 March 2017. Under this revaluation the Fund assets were valued at £919m and liabilities at £1,312m, a deficit of £393m. The funding level had declined from 72% to 70%. The funding target to recover the deficit was however, mitigated by improvements in financial factors as at 31 August 2013 in particular the increase in gilts yields. In agreement with employers, and the administering authority the actuary built into the recovery plan this improvement to stabilise contributions requirement if appropriate.

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

Additional monetary amounts are paid each year and inflated by the amount specified in the annual Pensions Increase Order of 2.6% to complete a 22 year programme of payments to bring the Fund back to 100% funding.

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

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

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

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

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

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

### **15. Fund Membership**

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	No's	No's	No's	No's	No's	No's	No's	No's
Employees Contributing into the Fund	5,658	5,500	360	187	147	201	6,165	5,888
Pensioners / Dependents	4,498	4,654	326	360	6	9	4,830	5,023
Widows/ Children's Pensions	881	885	43	43	-	-	924	928
Deferred Benefits	6,324	7,104	702	752	60	86	7,086	7,942
<b>Totals</b>	<b>17,361</b>	<b>18,143</b>	<b>1,431</b>	<b>1,342</b>	<b>213</b>	<b>296</b>	<b>19,005</b>	<b>19,781</b>

### **16. Additional Voluntary Contributions**

2013/14 Market Value £'000	Additional Voluntary Contribution	2014/15 Market Value £'000
1,245	Prudential	1,072
227	Equitable life	237
83	NPI	98
<b>1,555</b>	<b>Total Additional Voluntary Contributions</b>	<b>1,407</b>

### **17. Contingent Assets and Liabilities**

There were no contingent assets or liabilities in 2014/15.

### **18. Contractual Commitments.**

There were no contractual commitments at the period end.

### **19. Related Parties**

Islington Pension Fund is administered by Islington Council.

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

As at 31 March 2015, Islington Council owed the Pension fund £4.1m (£1.4m 2013-14). Full contributions from the Council for the year are disclosed in table 2a.

### **20. Post Balance Sheet Events**

None identified at the date of issue.

### **21. Risk and risk management**

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

## 22. Price and currency risk

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

### Price risk

<b>Price Risk</b>	<b>Final Market Value as at 31/03/15 £'000</b>	<b>% Change</b>	<b>Value on Increase £'000</b>	<b>Value on Decrease £'000</b>
UK Equities	352,062	10.30%	388,324	315,799
Overseas Equities	299,698	9.38%	327,809	271,586
Total Bonds	222,510	5.76%	235,326	209,693
Cash	17,038	0.01%	17,039	17,036
Property	150,715	2.94%	155,146	146,283
Private Equity	41,642	5.01%	43,728	39,555
<b>Total Assets</b>	<b>1,083,665</b>	<b>6.10%</b>	<b>1,149,769</b>	<b>1,017,561</b>

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

### Currency risk

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

<b>Currency Risk</b>	<b>Final Market Value as at 31/03/15 £'000</b>	<b>% Change</b>	<b>Value on Increase £'000</b>	<b>Value on Decrease £'000</b>
Overseas Equities-Euro	62,528	5.92%	66,229	58,826
Overseas Equities- Yen	18,049	5.92%	19,117	16,980
Overseas Equities-US Dollar	135,268	5.92%	143,276	127,260
Overseas Equities -Pacifix ex Japan	18,724	5.92%	19,832	17,616
Overseas Equities - Emeging Market	65,711	5.92%	69,601	61,821
<b>Total Assets</b>	<b>300,280</b>	<b>5.92%</b>	<b>318,055</b>	<b>282,503</b>

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

Values at 31 March 2014	Quoted	Using	With Significant	Total
	Market Price	Observable	Unobservable	
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
<b>Financial Assests</b>				
Financial assets at fair value through profit and loss	907,438	64,276	-	971,714
Loans and Receivables	-	3,871	-	3,871
<b>Total Financial Assets</b>	<b>907,438</b>	<b>68,147</b>	<b>0</b>	<b>975,585</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	-	-	-	-
Financial liabilities at amortised cost	-	(1,569)	-	(1,569)
<b>Total Financial Liabilities</b>	<b>0</b>	<b>(1,569)</b>	<b>0</b>	<b>(1,569)</b>
<b>Net Financial Assets</b>	<b>907,438</b>	<b>66,578</b>	<b>0</b>	<b>974,016</b>

#### Valuation of financial instruments carried a fair value

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

#### Level 1

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

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

## Level 2

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

## Level 3

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

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

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

**24. Investment Assets by Fund Manager**

Investment Assets by Fund Manager	2013/14 £'000	2014/15 £'000
<b>LBI In House Fund</b>		
<b>EQUITIES</b>		
UK quoted - LBI self managed	259,963	268,456
Overseas quoted - LBI self managed	50,004	60,679
<b>CASH DEPOSITS</b>		
Sterling	3,218	5,626
Other	0	0
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends/Tax	1,626	1,923
Outstanding trades	0	0
<b>FIXED INTEREST</b>		
UK	77	85
<b>INDEX-LINKED</b>		
UK	120	121
<b>POOLED FUNDS</b>		
UK	5,002	7,637
<b>Total LBI In House Fund</b>	<b>320,010</b>	<b>344,527</b>
<b>Newton</b>		
<b>EQUITIES</b>		
Overseas quoted - NEWTON	109,268	130,152
UK quoted - NEWTON	8,392	11,808
<b>CASH DEPOSITS</b>		
Sterling	3,450	4,384
Other	0	0
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends	487	478
Outstanding trades	213	239
<b>Total Newton</b>	<b>121,810</b>	<b>147,061</b>
<b>RCM</b>		
<b>EQUITIES</b>		
Overseas quoted - RCM	77,126	90,820
UK quoted - RCM	2,318	3,284
<b>POOLED FUNDS</b>		
Other	2,485	2,968
<b>CASH DEPOSITS</b>		
Sterling	2,646	4,068
Other	0	0
<b>OTHER INVESTMENT BALANCES</b>		
Outstanding Dividends	161	220
Outstanding trades	0	0
<b>Total RCM</b>	<b>84,736</b>	<b>101,360</b>

Investment Assets by Fund Manager (contd.)	2013/14 £'000	2014/15 £'000
<b>Standard Life Bonds</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Managed funds	195,242	221,099
<b>Pantheon</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Private equity - overseas	20,163	20,067
<b>Standard Life</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Private equity - overseas	23,232	22,850
<b>Aviva Lime Property</b>		
<b>UK UNIT TRUSTS</b>		
Property	43,674	47,262
<b>Threadneedle Pensions</b>		
POOLED INVESTMENT: Property	55,962	66,085
<b>Baring English Growth Fund</b>		
UK UNIT TRUSTS	13	8
<b>Thesis</b>		
POOLED INVESTMENT: Property	20,835	22,923
<b>BNY Mellon</b>		
CASH DEPOSITS : Sterling	9,080	2,151
<b>Legal &amp; General</b>		
<b>POOLED INVESTMENT VEHICLES</b>		
Managed funds	68,207	75,882
<b>Franklin Templeton</b>		
Pooled Investment Global Property	8,750	15,780
<b>Total Investment Assets</b>	<b>971,714</b>	<b>1,087,055</b>



## Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A contingent asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

*Council Tax:* A tax on domestic property values.

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

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

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

*Deemed Debt:* Outstanding loans inherited from ex GLC housing.

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

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

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

*Depreciation:*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## **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 principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government. A copy of the code is on our website and 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 4(3) of Part 2 of the Accounts and Audit Regulations 2011 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, processes, culture and values by which the authority 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

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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 2014 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. Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and service users***

3.1.1. 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. These fell under six broad priorities:

- Decent, suitable and affordable homes;
- Lower crime and anti-social behaviour;
- Cycle of poverty broken;
- Best start in life for children;
- Healthy, active and independent lives, and
- Delivering basic services efficiently and well.

3.1.2. These priorities and the intended outcomes have been communicated to citizens and service users in newsletters, on the Council's website ([www.islington.gov.uk](http://www.islington.gov.uk)) and through a variety of other media. The Council also uses large print and translated documents to make the information as accessible as possible to all of its citizens and service users.

#### ***3.2. Reviewing the Authority's vision and its implications for the Authority's governance arrangements and translating the vision into objectives for the authority and its partnerships***

3.2.1. In 2014, the vision was reviewed to ensure it remained relevant, and to reflect the findings of the recent Islington Employment Commission. Fairness continues to be the core theme but the priorities have been more sharply focused on those things which directly help reduce poverty and improve quality of life – employment, housing, cost of living – whilst continuing to deliver good quality services.

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3.2.2. The previous Corporate Plan has been replaced with the Islington Commitment 'Towards a Fairer Islington', a short, concise document setting out the revised priorities. It covers the period 2014-18 and commits the Council to:

- Providing more council housing and supporting private renters;
- Helping residents to find the right job;
- Helping residents to cope with the rising cost of living;
- Providing good services on a tight budget, and
- Making Islington a place where residents have a good quality of life.

3.2.3. Underpinning the Islington Commitment is the corporate performance framework, which sets out arrangements for ensuring robust monitoring of performance against priorities and key services. Key elements are:

- Corporate Performance Indicator Suite - around 50 measures covering key services, priorities and equalities objectives;
- Monthly Performance Panel – an internal mechanism for senior scrutiny of corporate priorities and of council services;
- 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.

3.2.4. The Islington Commitment, Corporate Performance Indicator Suite, and Performance Management Framework are set out on the Performance page of the Council's website.

### ***3.3. Measuring the quality of services for users, to ensure they are delivered in accordance with the authority's objectives and that they represent best use of resources and value for money***

3.3.1. 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. .

***3.4. Defining and documenting the roles and responsibilities of the Executive, Non-Executive, Scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of authority and partnership arrangements***

- 3.4.1. Islington Council's Constitution sets out how the Council operates, how decisions are made, how decisions remain efficient and transparent, and how the Council demonstrates its accountability to residents and local businesses.
- 3.4.2. The Constitution also sets out the roles and responsibilities of the Executive, Non- Executive, Scrutiny and officer functions. A Publicity Protocol governing Members' and Committees' communication is laid out in part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.
- 3.4.3. The Constitution is updated at least annually. Key amendments coming into effect in 2014/15 included changes to enable the electronic service of meeting summons and related documents, changes to delegations in respect of personal budgets to prepare for the implementation of the Care Act 2014, changes to the scrutiny committee structure to more closely match departmental responsibilities, changes to implement the Openness of Local Authority Bodies Regulations 2014 and changes to increase public participation in council meetings.

***3.5. Developing, communicating and embedding codes of conduct; defining the standards of behaviour for Members and staff***

- 3.5.1. The Council expects the highest 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 which is responsible for considering complaints of breach of the Members Code of Conduct. In accordance with the Localism Act 2012, during 2012/13 the Council appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.
- 3.5.2. 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.
- 3.5.3. Part 7 of the Constitution contains the Members' Allowances 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.

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3.5.4. An Officer Code of Conduct is reviewed, revised and publicised to staff from time to time. An exercise to review the classification of posts as requiring a DBS has been undertaken following changes in the relevant legislation.

### ***3.6. Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality***

3.6.1. 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 powers 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.

3.6.2. The Constitution includes formal delegation of responsibility and accountability, procurement rules and the Council's Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.

3.6.3. Forthcoming Executive decisions are published on the Forward Plan which sets out all key decisions at least 28 days in advance of when it is anticipated they will be made, subject to urgency procedures. 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 the corporate plan and the 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.

3.6.4. 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.

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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 pay due regard to equalities and environmental issues, together with financial and legal implications and risks. Joint Board (an officer and Executive member group) meets about a month before each Executive and has included on its agenda all items planned for the next Executive meeting. Not all items are proactively briefed on but they are available for members to ask questions about.

### ***3.7. Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability***

3.7.1. In 2014/15, a refreshed council-wide approach to risk management was designed and implemented to proactively identify threats that need to be minimised and opportunities that should be maximised in a consistent and proportionate manner. This has resulted in a new framework capturing key strategic, operational and programme/ project risks resulting in a more enterprise-wide and dynamic approach. Key aspects of the new approach have included the development of a top-down (CMB-owned risks) and bottom-up approach (service-owned risks) to risk management including the identification of 11 key principals risks facing the Council as identified by CMB and senior management across each Department. Further advancements have included aligning transformational programmes with industry standard programme risk management to help optimise the success of any change initiatives as well as ongoing support to various parts of the Council in terms of risk awareness training. Going forward, tools for training for all officers will be made available and risk reviews will take place each divisional management team every six months prior to CMB and Audit Committee to help integrate and embed effective risk management within the culture of the Council.

### ***3.8. Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained***

3.8.1. Islington Council's Anti-Fraud Policy reflects current fraud legislation. The Council investigates reported or suspected fraud, and participates in the National Fraud Initiative. The Council's whistle blowing policy provides a mechanism for suspected breaches of law, procedure or policy to be confidentially reported.

3.8.2. Completed anti-fraud investigation work in 2014/2015, included working together with the Schools Admissions service to ensure that only genuine applications for school places were accepted. Work was also undertaken with Human Resources, where agency staff had applied successfully for Council positions, but had produced false identification

documents to the Council. This was identified as a result of strong anti-fraud controls within the HR service. Other work was undertaken which, while not identifying any significant fraud, highlighted control weaknesses elsewhere. Investigation reports with recommendations to mitigate fraud risk were issued to service management on completion of these investigations.

**3.9. Ensuring effective management of change and transformation**

3.9.1. At a strategic (tier one level) the Council ensures effective management of change and transformation through the auspices of CMB (Corporate Management Board) who also operationalise this responsibility through the Corporate Transformation Programme Board (tier 2) whose role it is to provide assurance through positively challenging, supporting and critiquing not only the seven themed Corporate Transformation Programme but also other large pieces of organisational change including for example large scale insourcing. Directorate Management Teams (DMT's) are the (third tier) of the governance structure and provide localised assurance driven by Corporate Directors under the umbrella of a strong and coherent performance management culture.

3.9.2. Complimentary to this is the creation of a centralised Programme Management Office (PMO).. The responsibility for this sits with the Corporate Transformation and Efficiency Team. The PMO will become operational from 1st September, 2014. This has been created to improve portfolio control and governance over the large body of transformation and change management activity in which LBI is currently engaged, and which is likely to increase over the coming years. The proximate aim is to raise success likelihood of current transformation/change programmes – success being as an example, outcomes delivered on schedule, money cashed, and positive change implemented.

3.9.3. This will be accomplished by:

- Benefits realisation – ensure benefit realisation activities are carried out following project closure. This includes assuring cashable savings are concluded.
- Risk and issue tracking – supporting programmes in ensuring risks and issues are escalated appropriately and mitigation and contingency plans are agreed and bought into. Monitoring progress of risks and issues and assessing their impact on the deliverability of the portfolio as a whole, including resource implications.
- Assurance/Quality control - establishing good/consistent practice and standards for governance including project-programme planning, reporting, analysing risks and issues and maintaining and updating the risk log for the programme.
- Analysing dependencies across the portfolio of programmes, bringing together programme managers to highlight cross-

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programme dependencies and opportunities and ensure related actions are concluded.

- Information management – holding master copies of project-programme information, generating quality management documentation, controlling and updating programme documentation.
- Ensuring post project reviews are carried out and actions arising from lessons learned are embedded into future practice.

### **3.10. *Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and CIPFA Statement on the Role of the Head of Internal Audit (2010)***

3.10.1. The Corporate Director of Finance and Resources (Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972) was the Council's most senior executive role charged with leading and directing financial strategy and operations for 2014-15. In his role as Chief Finance Officer, he 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 responsibility) 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 Councillors

3.10.2. The Head of Internal Audit gives an objective and evidence based opinion on all aspects of governance, risk management and internal control, and reports quarterly to the Audit and Governance Committee.

3.10.3. A Corporate Governance Group also meets every two months to discuss and monitor compliance with corporate systems of internal control, data security and governance issues. The group includes the Corporate Director of Finance and Resources, (the Section 151 Officer) the Assistant Chief Executive (Governance and HR) (the Council's Monitoring Officer), and the Head of Internal Audit.



3.11. ***Ensuring effective arrangements are in place for the discharge of the monitoring officer function***

3.11.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Assistant Chief Executive (Governance and HR) is responsible, in her role as monitoring officer, for:

- Maintaining and keeping under review an up-to-date version of the Constitution (setting out in particular the bodies and post holders able to exercise, the Council's functions, and codes of behaviour for members and officers) 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, permitting other officers to exercise powers 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 responsibility) if she considers 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.

**3.12. *Ensuring effective arrangements are in place for the discharge of the head of paid service function***

3.12.1. As head of the paid service, the Chief Executive 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 political objectives set by the Councillors
- 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

**3.13. *Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities***

3.13.1. The Audit Committee and its associated Sub-Committees exist to deal with a range of matters including Council accounts and audit functions and personnel and electoral registration functions.

3.13.2. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.13.3. The Audit Committee has independent members suitably qualified to support the committee in an advisory capacity.

**3.14. *Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful***

3.14.1. Chief Officers are responsible for ensuring that their staff operate lawfully and that human resources policies and the Code of Employee Conduct promote high standards of behaviour and are reinforced by appropriate training. As well as providing support on request on

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specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to all Chief Officers and Members on new legislation and case law developments and changes to existing legislation and regulations. Legal Services explain the legal implications in all reports to the Council, its Committees and the Executive. The service also provides 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, Policy and Performance Scrutiny Committee, Planning and Licensing meetings and other meetings when appropriate.

3.14.2. The Internal Audit function 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.

### **3.15. *Whistleblowing and for receiving and investigating complaints from the public***

3.15.1. 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 is responsible for reviewing and updating the whistle blowing policy and receives a report concerning it annually. The policy was updated in March 2014.

3.15.2. 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 officers to report inappropriate action by fellow employees or Members, also by external 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. There were 11 reported whistle blowing events recorded in 2014/2015.

3.15.3. Islington Council has a formal process for managing complaints which has recently been reviewed and streamlined, with a view to "getting it right first time". The process is set out on the Council website and is available from Council offices and libraries.

3.15.4. The Council has a corporate complaints officer responsible for ensuring that the Council learns from complaints and improves its performance as a result. Departmental complaints officers record and report on all complaints, and the service response is monitored.

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3.15.5. Complainants who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

### ***3.16. Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training***

3.16.1. Islington Council is committed to the on-going professional development of Members and officers. Upon election, all Members are given a corporate induction and offered access to an on-going training and mentoring programme. All training provided to Members is reported to Committee annually.

3.16.2. Since the local elections in June 2014, training and development has been provided to councillors both on a group and individual basis. 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.

3.16.3. There is an annual performance appraisal scheme for officers, which links targets to service objectives, underpinning the Council's vision. In addition, an Audit Commission review concluded that Islington staff received regular feedback on their performance. Through these processes, officers are able to identify their development needs, which are logged on individual development plans that they are encouraged to maintain.

3.16.4. Newly employed officers attend the Council's corporate induction programme, after which directorate and role specific training is provided where needed. Information on staff training and development programmes and courses available are regularly publicised on the Council's intranet website which includes an induction training course for all new Islington staff and Managers. An extensive induction programme was developed to support staff transferring to the Council from Homes for Islington as part of the reintegration of housing management services. Similar support has been provided to staff transferring in in respect of other functions and services. There is compulsory training for staff on key issues such as equality, data security and health and safety.

3.16.5. The Executive and the Corporate Management Board have a number of 'away days' each year that help them to improve their performance collectively through ideas sharing and looking at improved ways of working.

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### **3.17. *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

- 3.17.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. It uses various communication channels such as Islington Life (the Council magazine), public meetings and the Council's website. There are also forums such as the Islington Business Board and Empower Islington Group which engage with specific communities of interest, and a series of VCS dialogue sessions to enable local voluntary and community sector organisations to identify issues and help shape policy around key challenges and priorities. An annual VCS Conference, hosted each year, provides an opportunity for engagement with a wider number of local organisations.
- 3.17.2. In 2014/15 the council spent £1.65 million on core grants to the borough's main voluntary sector advice agencies (Law Centre, Citizens Advice Bureau, Islington People's Rights) and the Help on Your Doorstep advocacy service. A further £241,000 is given for specialist projects advice and advocacy. All organisations serve the poorest and most vulnerable residents. Over half of users are women, 65% from BAME communities and (depending on the organisation) the number of disabled residents served ranges from 32% to 70%. Around 70% of all users live in social housing, while 20% rent privately.
- 3.17.3. In June / July 2014 the Council commissioned a telephone Residents Survey to seek views on issues and priorities for Islington residents. This replaced the previous Citizens' Panel.
- 3.17.4. Council meetings are open to the public; however exceptions are made for matters that require confidentiality. The time, date and location of public meetings are displayed on the Islington website.
- 3.17.5. Ward partnerships, introduced in 2011-12, provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. Meetings are open to the public and dates are published in advance on the Council's forward plan of meetings.

### **3.18. *Enhancing the accountability for service delivery and effectiveness of other public service providers***

- 3.18.1. 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.

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- 3.18.2. 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.
- 3.18.3. The Council's scrutiny committees can undertake more in depth research into particular challenges or concerns, and request evidence from other service providers.
- 3.18.4. 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.

### **3.19. *Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements***

- 3.19.1. The Council works in partnership with a wide range of partners 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.
- 3.19.2. 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.
- 3.19.3. 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 or Assistant Chief Executive having overall responsibility.

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- 3.19.4. 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.
- 3.19.5. Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.
- 3.19.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership, 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.
- 3.19.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB) and its precedents to allocate funding to deliver priorities and targets agreed with government. The IPB agrees the overall 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.

### **4. Review of Effectiveness**

- 4.1. 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, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2. The Annual Governance Statement has adopted the six core principles of good governance as recommended by CIPFA/SOLACE. The Council has a number of mechanisms in place to ensure that its partnership governance arrangements are appropriate, fit for purpose and effective.
- 4.3. The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework are set out below.

#### **4.3.1. The Authority**

Part three of the Council's Constitution sets out which bodies or officers are responsible for which functions, whether Executive or Non-Executive. The terms of reference of bodies referred to in this Constitution are set

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out in part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

The Authority's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive;
- 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 properly authorised under specific legislation.

### **4.3.2. The Executive**

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 terms of reference are clearly defined in Parts 3 and 5 of the Constitution.

The Executive also has an important role in the risk management process, reviewing the corporate risk register on a quarterly basis. Executive agendas, minutes and summaries of decisions are available on the Council website.

### **4.3.3. Audit Committee**

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.

The Committee meets on a quarterly basis. Since its inception in November 2008, 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.

### **4.3.4. Scrutiny Committees**

The Policy and Performance Scrutiny Committee and the theme based scrutiny committees enable Councillors to scrutinise the performance of the Council and decisions made by the Executive.



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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.

Policy and Performance Scrutiny Committee will act as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources.

The Policy and Performance Scrutiny Committee is initially responsible for all Councillor Calls for Action. The Communities Review Committee is the Council's Crime and Disorder Committee. This includes anti-social behaviour or other behaviour adversely affecting the local environment and complaints about substance.

### **4.3.5. The Standards Committee**

The Standards Committee is responsible for considering complaints of breach of the Members Code of Conduct referred by the Monitoring Officer.

The Committee has the support of Independent Persons appointed under the Localism Act 2012 in respect of its consideration of complaints.

### **4.3.6. Internal Audit**

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.

#### **Audit Approach**

The Internal Audit plan is developed using a risk-based approach. Internal Audit provide reports on the control of key potential risks identified from risk registers and reports and also comments on operational risks found in services which could impact on the achievement of business objectives.

The audit plan is delivered by the in-house team across the Cross Council Shared Audit Service (with Camden) and our internal audit contractor, PWC. Key messages arising from Internal Audit's work in the 2014/15 year regarding areas where the Council's controls and

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governance need to be strengthened are included in section 5 below. The full summary of the work that Internal Audit has undertaken during the financial year 2014/15 which provides detail on the high risk and priority issues which could impact on the effectiveness of the internal control environment across the Authority is provided in the Internal Audit Annual Report 2014/15 to the September 2015 Audit Committee.

All planned audits from 2014/15 will be scheduled for follow up reviews to ensure that management action plans for implementation of agreed audit recommendations have been fully implemented within agreed timescales. This will provide DMTs, Corporate Governance Group, CMB and the Audit Committee with a direction of travel in the internal control environment across the Council and areas where further improvement is required.

Audit's assurance opinion is further informed through a "Service Assurance Statement" process which involves an on-going self-assessment within the year by Corporate Directors of the extent to which their services comply with expected controls and processes operating across their Service Directorates. The outputs from the completed self-assessments are mapped against Internal Audit's independent assessment of the internal control environment as well as the departmental risk registers. This assurance process provides the Council with greater assurance to support and embed a robust governance framework.

### Head of Internal Audit's Annual Opinion

The Head of Internal Audit is satisfied that the work undertaken during 2014/15 has enabled him to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2015, it is the Head of Internal Audit's opinion 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. Medium risk rated weaknesses identified in individual assignments are not significant in aggregate to the system of internal control, high risk rated weaknesses identified in individual assignments are isolated to specific systems or processes, and none of the individual assignment reports have an overall classification of critical risk.

### Review of Effectiveness

Section 6.3 (Part 2) of The Accounts and Audit Regulations 2011 require that relevant bodies conduct, at least once in each year, a review of the effectiveness of its internal audit function. The findings of the review must be considered as part of the consideration of the system of internal control referred to in the regulations by the body or relevant committee of the body. We concluded that the internal audit service continues to be effective, complies with the Public Sector

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Internal Audit Standards (PSIAS), and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders.

Key Improvements and overall performance of the service in 2014/15 include:

- Continued working with LB Camden to further develop the shared audit service providing more timely reporting and assurance to management;
- Key Performance Indicators showed that internal audit meets set targets for delivering the audit plan, maintaining staff productivity targets, and following up on implementation of agreed audit recommendations;
- Audit Quality Surveys received following each completed audit project revealed that surveys showed good or very good satisfaction with the audit service provided;
- External audit continue to place reliance on the work of internal audit through their review of audit work on key financial systems and other key risk areas, and
- The shared service now works with four other London boroughs as part of an internal audit framework agreement. This provides opportunities both to enhance the value from the provider but also to work more closely with these boroughs to develop the shared service benefits even further.

### **5. Significant Governance Issues during 2014/15**

5.1. A key element of the annual governance review process is also 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.

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5.2. Our work within Departments over the year has not identified any significant issues with the Council's overall governance framework. However, Internal Audit will work with Children's Services to further develop the control framework around financial management and governance in schools.

5.3. The following areas of assurance are also noted:

### **Finance & Resources**

5.3.1. The Council has a sound process to setting its budget that ensures that estimates are robust and in particular savings proposals are fully scrutinised to ensure political, managerial and financial deliverability. The Council's budget monitoring process during the year routinely monitors service financial performance and key risks against budget and looks to put management action in place to deliver the council's financial outturn within the overall budget. Since 2010 the Council's budget has been subject to major funding cuts. Between 2010 and 2014 the Council has had to make £112m in savings. A further £37m of savings have been identified for 2015/16 following extensive work throughout 2014. With national government pronouncements that cuts to funding will continue further, significant savings are predicted in the coming three years and detailed planning has already started on options for the council. In the context of such unprecedented cuts it is a testament to the robustness of the budget setting and monitoring processes and control framework that in each financial year since 2010, the council has delivered its overall spending within budget. Further recent cuts to financial staff numbers will add more risk to the process, however processes and the organisation of those resources have been reviewed to mitigate the risk as much as is possible and focus the reduced resource where they are needed.

### **Children's Services**

5.3.2. The current structures and organisational arrangements provide a strong accountability scrutiny, leadership and management grip on Islington'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.

5.3.3. The Corporate Director of Children's Services reports directly to the Chief Executive and the span of control allows the work to be given due priority. Assurance checks are integral to the decision making processes of the Council. 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 of Children's

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Services, 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.

- 5.3.4. 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, Measuring What Matters.
- 5.3.5. 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.
- 5.3.6. The Safeguarding Children Board has an independent chair and the annual report is discussed by the Health and Wellbeing Board and by the Children and Families' Scrutiny. There continues to be a strong focus on CSE through the board's sub group that leads the partnership on this work. The Children and Families' Scrutiny have looked at Early Help, The Child's Journey, New Arrangements for Children with Special Educational Needs and have a working group on CSE.
- 5.3.7. The JSNA 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.
- 5.3.8. The Corporate Parenting Board is chaired by the Lead Member for Children and Families. 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.

### **Housing and Adult Social Care**

- 5.3.9. Islington 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. The Chair and the Director of Housing and Adult Social Services report quarterly to the Leader,

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Executive Member for Health and Social Care and Chief Executive on safeguarding matters.

5.3.10. The Council has partnership agreements (“section75”) with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group, for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, 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. 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 have been reviewed, and the council and the CCG have reviewed their respective commissioning structures to ensure better integration and accountability on both sides. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.

5.3.11. The council's contract with Kier as the sole provider of housing repairs services came to an end in 2014 and service delivery has been reintegrated. Accordingly, since the commencement of the reintegration lead-out period in July 2013, project work was undertaken to ensure a seamless transition of agreed staff, assets, processes and services back to the council. The task for the coming period is to embed the service in the council and improve customer service and value for money.

### **Information Assurance**

5.3.12. The council received an on-site audit from the Information Commissioner’s Office in February 2015. The audit focussed on three areas: Training, Security and Subject Access Requests, and the council was given an overall rating of ‘Reasonable Assurance.’ The audit did not review other aspects of Information Management where the council has conducted considerable work in the last year, which includes the preparation of an Information Asset register and the appointment and training of Information Asset Owners.

### **Anti-Fraud**

5.3.13. In 2014-15, the Corporate Management Board directed that the various strands of fraud investigation work across the council should take the opportunity to refresh the corporate anti-fraud strategy (including the anti-fraud strategy, fraud response policy and prosecution policy) as well as work more closely together. This work will conclude in 2015-16 with the desired outcome being to maximise

**Annual Governance Statement 2014-15**

the benefit the council obtains from anti-fraud resources; including how we work together to manage 'spikes' in fraud activity in different areas of our business.

Signed by:

_____	_____
Leader	Date

Signed by:

_____	_____
Chief Executive	Date

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Report of: (Acting) Returning Officer

Meeting of:	Date	Ward(s)
Audit Committee	22 September 2015	All

Delete as appropriate	Exempt	Non-exempt

## SUBJECT: Review of Polling Districts and Polling Places

### 1. Synopsis

- 1.1 This report sets out proposed changes to polling districts and polling places following a consultation process carried out in accordance with the Electoral Administration Act 2006.
- 1.2 This change will take effect with the publication of the revised Register of Electors on 1 December 2015 and for all elections for four years thereafter.

### 2. Recommendations

- 2.1 To agree to the changes set out in this report in relation to Highbury West ward
- 2.2 To decide which of the two potential building identified at paragraph 3.6 should be adopted as a polling place for St Peter's ward
- 2.3 To note the comments regarding Barnsbury ward and that all other wards remain unchanged.

### 3. Background

#### Introduction

- 3.1 The Electoral Registration and Administration Act 2013 introduced a change to the timing of compulsory reviews of UK parliamentary polling districts and polling places. The compulsory review must be started and completed between 1 October 2013 and 31 January 2015 inclusive. Subsequent compulsory reviews must be started and completed within the period of 16 months that starts on 1 October of every fifth year after 1 October 2013. However, interim reviews may be carried out if needed. Following each election officers review the running of the election and specifically look at any issues that have arisen to do with polling places or polling districts.
- 3.2 The substantive review took place last in October 2013 and the new polling scheme was approved by the Audit Committee on 30 January 2014. An interim review took place in January 2015 which noted a further interim review would be needed later in the year. This report seeks approval to the proposed changes set out in the report which shall have affect at the forthcoming Mayoral and GLA elections in

May 2016. The steps required for a review have been undertaken, including the publication of proposals and consultation on them.

3.3 Section 18B (4) of the Representation of the People Act 1983 states that in conducting a review of polling places the authority must:

- a) seek to ensure that all the electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances
- b) seek to ensure that so far as is reasonable and practicable, the polling places they are responsible for are accessible to all electors, including those who are disabled, and when considering the designation of a polling place, must have regard to the accessibility needs of disabled persons.

3.3 In addition the polling place for a polling district must be within the area of the district unless special circumstances make it desirable to designate an area either wholly or partly outside of the polling district

3.4 Electorate and property figures are as at 1 September 2015.

### PROPOSED CHANGES

#### 3.5 Highbury West Ward

There has been an ongoing issue in this ward where some residents to the immediate south of the Emirates stadium have been required to attend a polling place that is up to 15 minutes further way than the proposed new polling place.. Whilst the number of actual complaints has been minimal it is recognised by most interested parties that this was not an ideal situation and that as soon as a suitable venue was found that a proposal for change be made.

A venue has now become available, the Arsenal Hub, at the junction of Queensland Road and Benwell Road which this report proposes can resolve the ongoing problem of the last few years.

The proposal is to create a fifth Polling District (NHWE). A Map of the proposed new polling scheme for the ward is attached at Appendix 1.

The effect of this would be that the number of electors attending Hind House in NHWD and Aubert Court Community Centre in NHWC would be reduced. The below sets out the details of the five polling districts.

#### Polling Places

Polling District	Current Polling Place	Properties	Electorate	Polling Stations
<b>NHWA</b>	<b>St Thomas' Church Hall</b>	<b>1569</b>	<b>2697</b>	<b>2</b>

No change to this polling district or polling place.

Polling District	Potential New Polling Place	Properties	Electorate	Polling Stations
<b>NHWB</b>	<b>St John's Highbury Vale School</b>	<b>2055</b>	<b>3291</b>	<b>2</b>

No change to this polling district or polling place.

Polling District	Current Polling Place	Properties	Electorate	Polling Stations
<b>NHWC</b>	<b>Aubert Court</b>	<b>1588</b>	<b>2632</b>	<b>2</b>

The polling place venue remains the same but the electorate attending here is reduced by 1117.

Polling District	Current Polling Place	Properties	Electorate	Polling Stations
<b>NHWD</b>	<b>Hind House</b>	<b>1603</b>	<b>2184</b>	<b>1</b>

The polling place venue remains the same but the electorate attending here is reduced by 585.

Polling District	Current Polling Place	Properties	Electorate	Polling Stations
<b>NHWE</b>	<b>The Arsenal Hub</b>	<b>1440</b>	<b>1702</b>	<b>1</b>

The new polling district would consist of the following streets/electors:

Road Name/Numbers	Previous Polling District	Properties	Electors
Benwell Road	NHWD	202	274
Ashburton Triangle	NHWD	249	311
Drayton Park 1-63	NHWC	65	102
Queensland Road	NHWC	728	677
Bryantwood Road	NHWC	110	192
Courtney Road & Courtney Court	NHWC	86	146
Total		1440	1702

### 3.6 St Peter's Ward

In 2013 Audit Committee moved the polling place at Polling District SSPA from Popham and Cumming Community Centre back to New North Academy. This year the Academy has stated it no longer wishes to be used as a polling place and has asked if we can find an alternative venue.

Below are extracts of a letter submitted by the Chair of Governors at New North prior to the General Election regarding the schools continued use where they ask that an alternative venue is found for the GLA 2016 elections – The full representation can be found at Appendix 2:

“I am writing to confirm that the governors of the New North Academy are strongly opposed to our school being used as a polling station.

We are the fifth most deprived school in Islington, with 56.5% of our pupils qualifying for Free School Meals. Attendance and punctuality are key school priorities. Our pupils need to be in school, learning, every day. They cannot afford to lose over .5% of their annual teaching entitlement because their school is closed.

...We know that there has been a welcome move away in Islington from using schools as polling stations when this requires the school to be closed. We believe our school should be included in this

initiative.

...We do not feel that the borough would be acting with the best interests of our children at its heart if it used its powers to insist that our school is closed.”

Polling District	Current Polling Place	Electorate	Properties	Polling Stations
<b>SSPA</b>	<b>New North Academy</b>	<b>3409</b>	<b>2291</b>	<b>2</b>

Polling District	Possible Polling Place	Electorate	Properties	Polling Stations
<b>SSPA</b>	<b>Popham &amp; Cumming Community Centre</b>	<b>3409</b>	<b>2291</b>	<b>2</b>

Popham & Cumming has again been assessed and the building is suitable to be used as a polling place, although access for those unable to use stairs may take 2 or 3 minutes longer than for other voters.

We have for several years been trying to move away from using schools as polling places where a suitable alternative exists within the Polling District. New North Academy has urged the Council to not use the school.

The committee is asked to consider and decide which building should be designated as the polling place.

### 3.7 **Barnsbury Ward**

#### Existing Polling Place

Polling District	Current Polling Place	Electorate	Properties	Polling Stations
<b>SBAA</b>	<b>Celestial Church, Cloudesley Square</b>	<b>2614</b>	<b>1771</b>	<b>2</b>

This venue was used at the UK Parliamentary General Election as the New River College was and still is in the process of being demolished and rebuilt. There is an issue with a step up once inside the venue. This did not result in any issues this time but is an inherent risk with the venue that we will have assessed and will take all reasonable steps to mitigate the risk. The only viable alternative is the Lift centre in White Lion Street, which is an excellent venue but not conveniently located. It is therefore recommended that Celestial Church continues to be the designated Polling Place for this district

## **4. Implications**

### 4.1 **Financial implications:**

The costs of the polling districts and polling places review will be met from within existing budgets.

### 4.2 **Legal Implications:**

4.2.1 The Representation of the People Act 1983 section 18D requires that local authorities designate the polling places within their Parliamentary constituencies. Under Representation of the People Act 1983, Returning Officers have the right to use certain public buildings (including schools that receive public funds) for use as polling stations at elections.

4.2.2 Section 18B (4) of the RPA 1983 states that in conducting a review of polling places the authority

must:

- a) seek to ensure that all the electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances
- b) seek to ensure that so far as is reasonable and practicable, the polling places they are responsible for are accessible to all electors, including those who are disabled, and when considering the designation of a polling place, must have regard to the accessibility needs of disabled persons.

4.2.2 In addition the polling place for a polling district must be within the area of the district unless special circumstances make it desirable to designate an area either wholly or partly outside of the polling district.

#### 4.3 Resident Impact Assessment:

4.3.1 Electoral Services considered a review of all possible polling places and used a suitability and access checklist. This was drawn largely from the recommendations in Scope's Poll Report 4 published following the 2005 General Election. One checklist has been completed for each existing poll place and all proposed new polling places. As noted above, access to the Popham Community Centre may take slightly longer for voters unable to use stairs.

4.3.2 All polling staff receives equalities training as part of the induction for working on the election.

### 5. Conclusion and reasons for recommendations

5.1 The Electoral Registration & Administration Act 2013 requires all authorities to keep polling districts and polling places in its area under review.

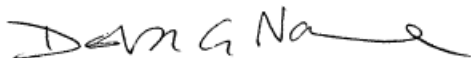
5.2 Representations have been sought from political groups and the report takes into account informal conversations held with members and party agents.

### Appendices

**Background papers:** None.

Final report clearance:

**Signed by:**



14 September 2015

Assistant Director Governance and HR

Date

Report Author: Andrew Smith, Head of Registration & Electoral Services

Tel: 020 7527 3085

Email: [Andrew.smith@islington.gov.uk](mailto:Andrew.smith@islington.gov.uk)

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Report of: The Returning Officer

Meeting of:	Date	Ward(s)
Audit Committee	22 September 2015	All wards

## SUBJECT: The scale of election fees and expenses

### 1. Synopsis

- 1.1 This report deals with the scale of fees and expenses to be adopted for future elections.

### 2. Recommendations

- 2.1 To approve the proposed scale of fees and expenses as outlined in Appendix 1, with effect from the date of this report.
- 2.2 To agree to adopt for future years the London-wide scale of fees and expenses agreed by the Leaders Committee of London Councils' from time to time.

### 3 Background

- 3.1 London boroughs were first empowered to fix their own scales of election fees in 1974. It has been the practice of London Councils and its predecessor bodies to receive a report and recommend a London-wide scale of fees for adoption by individual boroughs (the "London Scale"). The London Scale is used by the London Boroughs to determine the fees for elections and other ballots which are funded from the Borough's own resources (currently the local elections, any referendum to adopt a mayoral executive model under the Local Government Act 2000 and any subsequent local mayoral election) and is also used as a guide for fees and expenses for elections funded by central government, within the Maximum Recoverable Amount set by the government for the particular election.
- 3.2 London Councils agreed to adopt the thorough revision in fees that was recommended in 1990 and to revise the fees annually thereafter. The established practice has been to revise all fees and expenses (where not stated as "actual and necessary cost") in accordance with the previous year's local government pay increases.
- 3.3 In 2002, in the light of changes to the law on postal voting, the requirement for staff to attend training sessions and a government review of fees for polling station staff, it was agreed it was necessary to

make additional revisions to some fees. A further revision was agreed for the full council elections in 2006. This took account of experiences in dealing with changes to the law on postal votes, a further government review of the fees paid for parliamentary elections, and a desire to set fees for polling station inspectors and senior count staff. An additional charge to help recognise the need for more staff to manage and supervise the issue and receipt of postal votes was agreed in 2008. No further changes to the basic structure of the fees and expenses have been proposed since.

## **The Proposed Scale for Future Elections in Islington**

The 2015/16 scale in Appendix 1 was agreed by the Leaders' Committee of London Councils on 10 February 2015. In light of the local government pay award of 2.2% covering the 15 months up to 31st March 2016 and additional consolidated payments made to staff at SCP 5-49, it is proposed that for the 2015/16 financial year:

- Part A fees – zero increase. These are the fees for Returning Officers and Deputy Returning Officers;
- Part B fees - increased by 2% for the twelve months commencing 1 April 2015. The roles undertaken in part B are generally recognised as being within the SCP 5-49 range and, therefore, should reflect the 2.2% over 15 months and consolidated payments as part of this year's Local Government pay settlement.

The scale set out in the third column of Appendix 1 is to cater for any combined local and mayoral elections where a borough has a mayoral system. The scale provides a 20% increase when a combination is required. This formula was reduced from 25% in 2010 to bring it into line with the government costing assumptions for combined polls.

It is proposed that the London scale should continue to form the basis for fees and expenses in Islington for local elections and for referendums under the Local Government Act 2000 and any mayoral election, if one were ever to be required, and as a guide for fees and expenses for other elections and referendums.

## **4 Implications**

### **4.1 Financial implications**

There are no financial implications beyond the fees and charges themselves (appendix 1) arising from the report.

### **4.2 Legal Implications**

Under s36 of the Representation of the People Act 1983 the council may adopt a scale of fees and charges for local elections, referendums under the Local Government Act 2000 in respect of its executive arrangements and for the election of a mayor under that Act were one to be established.

### **4.3 Environmental Implications**

There are no environmental implications arising from 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. There are no resident impact implications arising from this report



## 5 Conclusion and reasons for recommendations

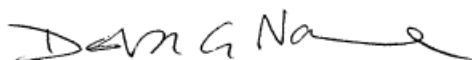
- 5.1 It is noted that formal agreement by this Council to adopt the scale of fees and expenses agreed by London Council's has not been refreshed for some years and this report gives this Committee that opportunity. It is recommended that members agree to continue to use of the London Scale of fees and expenses at elections and for referendums as described in this report and adopt the existing scale in Appendix 1 with immediate effect.

**Appendices:** None

**Background papers:** None

Final report clearance:

**Signed by:**



14 September 2015

Assistant Director Governance and HR

Date

Report Author: Andrew Smith, Head of Registration & Electoral Services  
Tel: 020 7527 3085  
Email: [Andrew.smith@islington.gov.uk](mailto:Andrew.smith@islington.gov.uk)

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## Scale of Returning Officers'/Counting Officers' Fees and Expenses 2015/16

### London Borough Council Elections, Referendums and Mayoral Elections

#### Part A – Fees

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
I In a contested election:			
(1) For conducting the election and generally performing the duties which a returning officer/counting officer is required to perform under any enactments relating to the election of London borough councillors or mayoral referendums or mayoral elections, other than any duties for which separate fees are prescribed herein:			
For each ward not exceeding five	£225.87	£225.87	£271.05
For each additional ward	£45.48	£45.48	£54.57
In addition, if the number of registered local government electors in a ward on the fifth day before the election exceeds 2,000 there shall be paid:			
For every 1,000 electors or fraction thereof over 2,000 in each ward	£23.23	£23.23	£27.87
(2) For services in connection with the issue and receipt of the ballot papers of persons entitled to vote by post:			
For the first ward	£88.50	£88.50	£106.20
For each additional ward	£27.65	£27.65	£33.18
In addition, for every 100 postal voters on the final day for applications in each ward	£2.76	£2.76	£3.31

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
(3) Allowance for poll cards			
(a) For the preparation, first revision and the issue of the cards on the occasion of an election:			
(i) For each ward	£62.23	£62.23	£62.23
(ii) For every 500 cards or fraction thereof above 7,000 and up to and including 10,000 for each ward	£7.93	£7.93	£7.93
(iii) For every 500 cards or fraction thereof above 10,000 for each ward	£3.49	£3.49	£3.49
(b) For each revision after the first prior to the issue of the cards:			
For each ward	£31.00	£31.00	£31.00
(4) For a person appointed by the returning officer/counting officer to discharge his/her functions under the Representation of the People Act 1983, Section 35(4), where the functions of such person include those specified in Rules 45 to 50 of the Local Elections (Principal Areas) (England and Wales) Rules 2006:			
For each ward	£121.83	£121.83	£146.19
II In an uncontested election:			
For the services specified in paragraph I (1) of this part of the Schedule:			
For each ward	£151.45	£151.45	£181.74

## Part B – Expenses

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
In no case shall a charge exceed the sum actually and necessarily paid or payable by the returning officer/counting officer. Subject thereto the charges shall be as follow:-			
(1) (a) For the presiding officer at each polling station open the normal statutory hours of 7 am until 10 pm other than a Saturday, Sunday or public holiday, not exceeding	£306.95	£313.10	£375.70
(b) For a presiding officer for each hour of opening at a polling station where opening hours vary from the normal hours, not exceeding	£20.45	£20.85	£25.00
(c) For a presiding officer for each hour of opening at a polling station open on a Saturday, Sunday or public holiday, not exceeding	£30.70	£31.30	£37.60
(d) In addition, a further sum may be paid to the senior presiding officer at the polling place (whether including one or more polling stations) who acts as overall presiding officer, not exceeding	£19.25	£19.60	£23.60
(e) In addition, a further sum may be paid to the presiding officer who acts as overall presiding officer at a polling place to which there are assigned not less than 3,000 voters (excluding absent voters other than those for whom proxies have been appointed), not exceeding	£18.90	£19.30	£23.15
(2) (a) For each poll clerk at a polling station open the normal statutory hours of 7 am until 10 pm other than a Saturday, Sunday or public holiday, not exceeding	£207.45	£211.60	£253.90
(b) For a poll clerk for each hour of duty at a polling station open other than Saturday, Sunday or public holiday if not 7 am to 10 pm, not exceeding	£13.85	£14.10	£16.90
(c) For a poll clerk for each hour of duty at a polling station open on a Saturday, Sunday or public holiday, not exceeding	£20.70	£21.10	£25.35

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
(3) (a) For each person appointed as a polling station inspector or visiting officer if appointed for the normal statutory hours of 7 am until 10 pm other than a Saturday, Sunday or public holiday, not exceeding	£326.20	£332.70	£399.25
(b) For a polling station inspector or visiting officer for each hour of duty on a Saturday, Sunday or bank holiday if not 7 am to 10 pm, not exceeding	£21.75	£22.20	£26.60
(b) For a polling station inspector or visiting officer for each hour of duty on a Saturday, Sunday or bank holiday, not exceeding	£32.60	£33.25	£39.90
(4) For the remuneration of persons employed in issuing and receiving the ballot papers of persons entitled to vote by post:			
(a) For every 100 persons or fraction thereof of persons entitled to vote by post, for each ward	£100.80	£102.80	£123.40
(b) For the person or persons appointed to manage the processes for the issue or receipt of postal votes, for each ward, not exceeding	£104.85	£106.90	£128.35
(5) (a) For each person appointed as a count assistant in connection with the verification and counting of the votes:			
(i) For each hour or part thereof at a <b>night-time</b> verification or count, not exceeding	£25.75	£26.25	£26.25
(ii) For each hour or part thereof at a <b>day-time</b> verification or count, not exceeding	£17.80	£18.15	£18.15
(b) For each person appointed to act as count supervisor:			
(i) For each hour or part thereof at a <b>night-time</b> verification or count, not exceeding	£35.15	£35.85	£35.85
(ii) For each hour or part thereof at a <b>day-time</b> verification or count, not exceeding	£24.30	£24.80	£24.80

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
(5) (c) For each person appointed to act as a senior count supervisor:			
(i) For each hour or part thereof at a <b>night-time</b> verification or count, not exceeding	£44.65	£45.55	£45.55
(ii) For each hour or part thereof at a <b>day-time</b> verification or count, not exceeding	£30.85	£31.45	£31.45
(6) For clerical and other assistants employed by the returning officer/counting officer or deputy returning officer for the purposes of the election or referendum, excluding charges for employer's share of superannuation contributions where payable:			
For each ward not exceeding five	£960.86	£980.05	£1176.10
For each additional ward	£190.30	£194.10	£232.90
In addition, if the number of registered local government electors in a ward on the fifth day before the election exceeds 2,000 there shall be paid:			
For every 1,000 electors or fraction thereof over 2,000 in each ward	£57.62	£58.77	£70.50
(7) For employment of persons on sorting, checking and other duties in connection with the issue of poll cards, for every 100 cards or fraction thereof	£4.18	£4.26	£4.26
(8) (a) For the attendance at a training session of each person appointed by the returning officer/counting officer or deputy returning officer, not exceeding	£30.95	£31.55	£31.55
(b) For the provision of training any person appointed for the purposes of the election or referendum, for each training session, not exceeding	£171.00	£174.40	£174.40

	Existing 2014/15	Proposed 2015/16	Combined 2015/16
(9) (a) For travelling expenses incurred by the returning officer/counting officer in connection with the conduct of the election/referendum  (b) For travelling expenses incurred by other staff in connection with the conduct of the election/referendum	Actual and necessary cost  Actual and necessary cost or such fixed sum as shall be settled by each returning officer/counting officer for appropriate employees in the light of the actual and necessary costs on average to be incurred having regard to the availability and cost of public or other suitable transport		
(10) Expenses incurred in printing and providing ballot papers	Actual and necessary cost		
(11) Expenses incurred in printing and providing notices, documents and devices required in and about the election or referendum and costs of publishing or purchasing the same	Actual and necessary cost		
(12) Expenses incurred in printing and providing poll cards	Actual and necessary cost		
(13) For hand delivery of poll cards	Not greater than the cost of Royal Mail postage		
(14) For hand delivery of postal ballot papers to addresses within the London borough of the returning officer/counting officer	Not greater than the cost of Royal Mail first class postage		
(15) Expenses incurred in the renting of any building or room for the purpose of the election and for expenses of heating, lighting and cleaning any building or room for such purposes	Actual and necessary cost		
(16) Expenses incurred in adapting and fitting up any building or room for the purpose of the election (including the provision of voting compartments and any necessary furniture) and restoring it to fit condition for its normal use	Actual and necessary cost		
(17) Expenses incurred in providing ballot boxes, including repairs	Actual and necessary cost		
(18) Expenses incurred in the conveyance of ballot boxes and ballot papers to and from polling places	Actual and necessary cost or such fixed sum as shall be settled by each returning officer/counting officer		
(19) Expenses incurred in the conveyance of furniture, equipment and documents necessary for polling stations and the count	Actual and necessary cost		
(20) For every stamping instrument required to be purchased, hired, altered or repaired	Actual and necessary cost		
(21) For general stationery, postage, telephone calls, bank charges, employer's share of superannuation contributions (where payable) and miscellaneous expenses	Actual and necessary cost		





**Report of: Assistant Chief Executive, Governance and HR**

Meeting of:	Date	Ward(s)
Audit Committee	22 September 2015	All

Delete as appropriate	Exempt	Non-exempt
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## **SUBJECT: Review of Voluntary Redundancy Scheme**

### **1.0 Synopsis**

The Council has run council-wide voluntary redundancy schemes for the last five financial years. The schemes have offered a payment of £500 to those accepted under the scheme in addition to the entitlement they would receive under the council's standard compulsory redundancy scheme. This report investigates the take-up and financial impact of the scheme and invites the committee to consider whether it would be appropriate to offer an increased additional payment in the 2015/16 scheme.

### **2.0 Recommendations**

- 2.1 To note the information in the report concerning the voluntary redundancy schemes run over the past five years.
- 2.2 To agree that the additional payment offered to volunteers accepted under the voluntary redundancy scheme be increased to £5,000 on a pilot basis for the 2015/16 scheme.

### **3.0 Background**

- 3.1 The council has run a voluntary redundancy scheme in each of the last five financial years. Invitations to apply were issued to all directly employed

council staff. The voluntary redundancy payments have been based on the council's standard redundancy scheme with an additional enhancement of £500. The standard redundancy payments scheme applies only to employees with two or more years' continuous service with a body listed in the Redundancy Payments (Continuity of Employment in Local Government) Modification Order. Based on the average (Mean) salary of council employees, being £30,748.39, the current incentive of £500 amounts to only one week's pay (average weekly pay is £572) for the average LBI employee.

- 3.2 Calculation of payments under the council's standard scheme is based on the statutory scheme but actual salary rather than the statutory weekly maximum is used for this calculation. The calculation is as follows:
- 0.5 week's pay for each full year of service aged under 22
  - 1 week's pay for each full year of service between the ages of 22 and 41
  - 1.5 week's pay for each full year of service worked from the age of 41 and over

This is subject to a maximum 20 years of service (30 x a week's pay is therefore the maximum available).

- 3.3 The scheme has been agreed each year with the trade unions which support the principle of making voluntary redundancies before making any compulsory redundancies. The council's Organisational Change procedure states that the council will seek to avoid compulsory redundancy by considering voluntary redundancy if this is appropriate.

#### **4.0 How the scheme works**

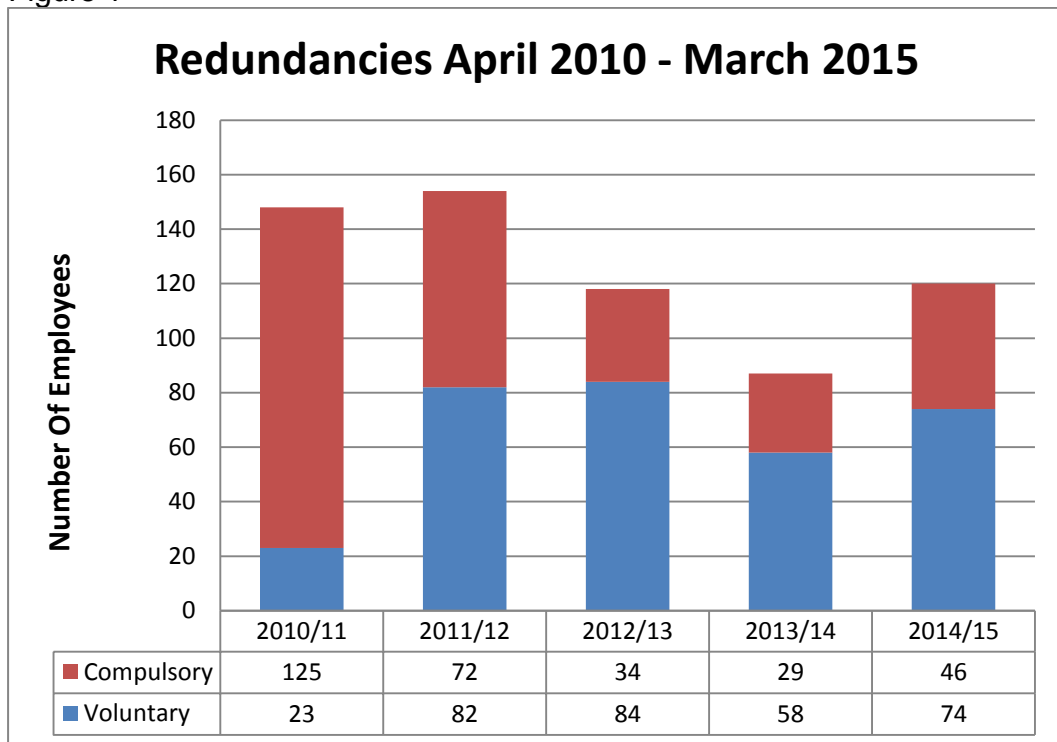
- 4.1 A copy of the draft scheme for 2015/16 is in Appendix 1.
- 4.2 The scheme is usually open for applications for a 4 week period either before or after the main summer break. Applicants complete an online application form by the specified deadline and all applications completed are submitted to the relevant line manager and departmental management team for consideration. The Corporate Director or Assistant Chief Executive makes the final decision. Applications by Chief Officers are considered by CMB. There is no appeal of this decision.
- 4.3 Each individual case is assessed in the interests of the efficiency of the service and longer term financial considerations. Applications can only be accepted where it is appropriate to delete the employee's post. However, an unsuccessful employee may be placed on a central register of employees willing to take voluntary redundancy should another employee facing compulsorily redundancy in the future be a suitable candidate for their post. This is known as a 'bumped' redundancy.

- 4.4 The proposed timing for this year's scheme is:
- 25 September – open for applications
  - 23 October – close applications
  - w/c 26 October – DMTs to make decisions on applications
  - w/c 9 November – employees advised on outcome of applications
  - Employees to leave any date up to 31 March 2016

**5.0 Take-up of the scheme**

5.1 Between April 2010 and March 2015 (inclusive) 627 staff exited the council by way of redundancy, 322 of whom were voluntary. Typically, in the region of 25% of voluntary redundancy applications are accepted. The remainder are declined or put on the central register.

Figure 1



3.3 The balance of redundancies has shifted over the last four years from a position where the majority were compulsory to the current situation where the majority of redundancies are voluntary. In 2010/11, only 16% of redundancies were voluntary whereas in 2014/15 62% of redundancies were voluntary.

3.4 The distribution between departments is as follows:

<b>Compulsory Redundancy</b> <b>Voluntary Redundancy</b> <b>All Redundancies</b>	<b>Chief Executive's</b>	<b>Children's Services</b>	<b>Environment &amp; Regen</b>	<b>Finance &amp; Resources</b>	<b>HASS</b>	<b>Public Health</b>	
	46	108	65	56	27	3	305
	37	44	91	65	81	4	322
	83	152	156	121	108	7	627

#### 4.0 Equalities Analysis

4.1 The average age of an employee leaving via voluntary redundancy is 51 compared to 45.15 for those leaving via compulsory redundancy and 44.98 for existing council employees. Older employees are usually more expensive to make redundant as the compensation calculation takes in to account length of service and age. If an employee is aged 55 or over on their last day of service they are entitled to access their pension where applicable. This has additional financial implications known as a "pension strain".

The average age of an employee leaving has increased from 47.3 in 2010/11 to 52.7 in 2013/14 but was lower in 2014/15 at 49.6.

Table 1

Year	2010/11	2011/12	2012/13	2013/14	2014/15
Average age of VR leaver	47.3	49.2	52.2	52.7	50.48

Source: HR Systems 2015

49.6% of voluntary redundancy leavers are aged 55 or over compared to 22.5% of compulsory redundancy leavers and 18.7% of the existing workforce. This trend has increased markedly since 2010/11 and in the 2013/14 scheme 58.6% of leavers were over 55, again with a slight fall in 2014/15.

Table 2

Year	2010/11	2011/12	2012/13	2013/14	2014/15
% VR Leavers over 55	17.4%	41.5%	58.3%	58.6%	54.66%

Source; HR Systems 2015

4.2 White staff are more likely to leave via voluntary redundancy, accounting for 66% of voluntary redundancies compared to 54% of compulsory redundancies and 66% of the workforce as a whole.

4.3 A higher proportion of employees with a disability leave via voluntary redundancy (9.6%) than compulsory redundancy (5.2%). This compares to 5.4% for the organisation as a whole.

## **5.0 Financial Analysis of take-up**

5.1 Taking a sample in July 2015 of the last 20 staff to exit the organisation via voluntary redundancy and comparing it to the last 20 staff who exited the organisation via compulsory redundancy reveals an average payment of £12,355.48 for the voluntary cohort (including the £500 per person incentive) versus an average payment of £7,746.73 for the compulsory cohort. Average redundancy payments are thus noticeably higher for voluntary leavers, although this is a fairly small sample.

5.2 The voluntary redundancy scheme attracts a higher proportion of higher graded staff with 19.2% of leavers at PO6 or above compared to 16.2% of compulsory redundancy leavers and 11.0% of the Islington workforce in the period up to 31 March 2015. A combination of grade and age (length of service) are the primary factors behind the higher payments.

5.3 The cost of the additional payments of £500 to the 332 volunteers over the past 5 years of the scheme has been £166,000. An increased enhancement to redundancy payments to volunteers will be at a higher cost to the council. However, if the increased additional payment attracts more with lower standard redundancy entitlement and/or staff not entitled to early retirement on redundancy, this may be offset to some extent.

## **6.0 Benefits to the council of a successful voluntary redundancy scheme**

6.1 The voluntary redundancy scheme is advantageous for both management and employees. It enables staff to come forward and initiate a discussion about their future without fear of committing themselves until all the paperwork has been agreed once exit figures have been finalised. For managers, it means that they can plan reorganisations more effectively knowing in advance about who is thinking of leaving. It provides management with much more flexibility in planning aided by the “bumped” redundancy scheme.

6.2 Implementing compulsory redundancies is a significant drain on management time and is very disruptive for the wider workforce. Time is spent on individual consultation and in dealing with appeals which is saved if redundancy can be agreed on a voluntary basis.

6.3 The council has made a commitment in its Organisational Change policy to seek to avoid compulsory redundancies by using voluntary redundancy where appropriate. This commitment and its implementation is likely to have a

positive effect on staff engagement and reduce the negative impact on service performance which can result from the distress and demotivation sometimes experienced by continuing staff whose colleagues have been made compulsorily redundant.

- 6.4 Use of voluntary redundancy also reduces the risk of legal claims against the council. Implementation of compulsory processes carries with it the risk of disputes and to employment tribunal claims. Even where these are successfully defended, they pose a further drain on management resource and on HR and Legal Services resources and may incur irrecoverable costs, for example in respect of the use of counsel in more complex cases.

## **7.0 Why make changes?**

- 7.1 The council is facing a further period of change as a result of reductions in funding from central government. This will inevitably require redundancies to be made. The benefits of a successful voluntary redundancy scheme have been identified above and so the scheme has been reviewed to see whether changes could be made to increase take-up and reduce the number of compulsory redundancies required and to attract a more representative cross section of the workforce.

- 7.2 As indicated earlier, the current additional payment is only a week's pay for the average employee. It is proposed that an increased additional payment of £5,000 be made under the 2015/16 scheme. £5,000 amounts to approximately two months' pay for the average employee. It is considered that this should be a sufficient period to attract employees who are considering volunteering, but are concerned it might take them longer than their notice period to find a new job. As those with less than 2 years' continuous employment are only entitled to this additional scheme payment and not to a payment under the standard scheme, this £5,000 payment will make it more likely that staff in this category will consider applying for voluntary redundancy. It is also anticipated that this will make the scheme more attractive to lower graded staff who are currently under-represented amongst volunteers. This will enable fewer compulsory redundancies to be made amongst this staff group.

- 7.3 It is possible that increasing the additional payment for 2015/16 will mean a surge in interest and generate additional work within HR and for managers in administering the scheme. It is anticipated that this extra work will be offset by reduced time being spent on compulsory processes as described at section 6 above.

- 7.4 Consultation with the trades unions has taken place concerning the proposal to increase the additional payment under the existing scheme just for 2015/16 as a pilot and they have indicated their support for the proposal.

- 7.5 The scheme will revert to an additional payment of £500 for 2016/17 unless a further report is brought to the Audit Committee.

## **8.0 Legal implications**

- 8.1 The council has power to enhance the statutory redundancy scheme and to make severance payments to staff not eligible for that scheme under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended) where dismissal is for redundancy or efficiency reasons.
- 8.2 Under the Redundancy Payments (Continuity of Employment in Local Government) Modification Order continuous service with bodies listed in the Order is included in the calculation of an employee's continuous employment for redundancy purposes.

## **9.0 Financial implications**

- 9.1 The financial specifics of the proposal are set out in the report. The financial context for this proposal is that, after having to make £150m of savings over the past five years, the Council predicts it may well have to make up to a further £90m of savings over the coming three to four years. Inevitably this level of savings will result in redundancies. Voluntary redundancy is preferable to compulsory redundancy and this proposed one year pilot could support the achievement of the savings target.
- 9.2 At 1 April 2015 £2.7m was held in an earmarked redundancy reserve to fund redundancy and associated costs. The reserve is kept under regular review.

## **10.0 Resident Impact Assessment**

- 10.1 An equalities analysis of the operation of the scheme over the past 5 years is included in the body of the report. It is anticipated that the increased additional payment will make the scheme attractive to a more representative group of staff.

## **11.0 Conclusion**

- 11.1 The council's voluntary redundancy scheme has been successful over recent years. In order to maintain and extend its success, the Audit Committee is asked to agree that the additional payment available to volunteers under it be increased from £500 to £5,000 for the 2015/16 scheme on a pilot basis.

## **Appendices**

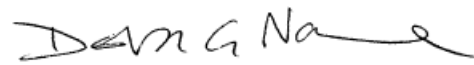
Draft Voluntary Redundancy Scheme

**Background papers:** (available online or on request)

None

Final report clearance:

**Signed by:**



11 September 2015

Debra Norman  
Assistant Chief Executive (Governance and  
HR)

Date

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# **DRAFT Voluntary Redundancy Scheme 2015**

September 2015

## **BACKGROUND**

### **1.1 CONTEXT**

The council is faced for a further year with the need to make substantial savings which will inevitably entail some job losses. In order to minimise the need for compulsory redundancies, the council has decided to introduce a voluntary redundancy scheme which will operate for the 2015/16 financial year.

### **1.2 SCOPE OF THE PROCEDURE**

This procedure applies to most non-school council employees. Those who are not eligible for a redundancy payment because they will not have completed 2 years continuous employment at the time of their departure may apply under the Scheme and will be eligible to receive a payment of £5,000 in the event that their employment is terminated pursuant to the Scheme.

1.3 Applications under this Scheme will not be considered unless they are received by the closing date of 23 October 2015. It will still be possible for employees directly affected by a specific re-organisation to volunteer for redundancy during the consultation process concerning the specific reorganisation in the ordinary way but the special payment of £5,000 mentioned at 3.1 below will not be available.

## **PROCEDURE**

### **2.0 Application for Voluntary Redundancy**

2.1 To make a formal application for voluntary redundancy, you should complete the Voluntary redundancy application form which is available online at: [http://voluntary\\_redundancy/](http://voluntary_redundancy/). Paper applications or e-mails saying you wish to apply will **not** be accepted. If you do not have access to a computer, please call the HR Express on 020 7527 6070. As a courtesy, you should inform your line manager if you submit an application for voluntary redundancy.

2.2 Before you apply you should calculate your redundancy entitlement using the online calculator available on izzi. You can also contact the HR team on 020 7527 6070 or email [hr.express@islington.gov.uk](mailto:hr.express@islington.gov.uk). If you require pensions

figures as part of this calculation you should allow 5 working days for a response.

- 2.3 Requesting redundancy figures is not a formal application and does not commit you or the council to anything; it will simply trigger the production of a personal redundancy payment estimate for you. Your line manager is not notified of your interest in voluntary redundancy at this stage, although you may have already told them as a courtesy that you are interested in it.
- 2.4 Should you need formal estimate of pension entitlement, you should make this clear in your email requesting a redundancy estimate.
- 2.5 Once you have received the estimate of your redundancy figures, if you decide to proceed and make a formal application for redundancy you should apply as soon as possible but no later than midnight on **Friday 23 October 2015**.

### **3.0 Voluntary redundancy pay**

- 3.1 Under the council's current severance arrangements you will receive:
- a statutory redundancy payment based on your contractual weekly gross pay, rather than the statutory maximum of £475 per week;
  - immediate and unreduced payment of your benefits if you are a member of the Local Government Pension Scheme and provided that you:
    - have at least 2 years membership **AND**
    - are 55 years of age or over on your last day of service (assumed to be 31 March 2016 for the purpose of this exercise);

In the event that you are accepted for redundancy under this scheme, you will be entitled to a payment of £5,000 whether or not you qualify for a redundancy payment.

- 3.2 If you apply under this Scheme you will initially be provided with estimated figures with a last day of service of 31 March 2016. More precise figures will be supplied should your application for redundancy be successful.
- 3.3 Figures will be estimated based on:
- your age: as at the last day of service (in this case 31 March 2016)
  - length of local government service: completed years (maximum length 20 years)
  - weekly pay: based on your contractual gross weekly pay.

The amount of week's pay awarded is in accordance with the following:

- **0.5 week's pay** for each full year of service aged under 22
- **1 week's pay** for each full year of service between the ages of 22 and under 41
- **1.5 week's pay** for each full year of service worked from the age of 41 and over.

## **4.0 Consideration of applications**

- 4.1 Shortly after the closing date of **Friday 23 October 2015**, Human Resources will notify all Corporate Directors, Assistant Chief Executives, Service Directors and Heads of Services of the applications that have been made within their areas. The relevant Departmental Management Team (DMT) will consider your application. Your line manager will also be formally made aware of your application at this stage.
- 4.2 The DMT may accept or reject your application and has complete discretion in this respect (other than as set out at 4.3) based on business considerations. There is no appeal of the decision.
- 4.4 Applications by Chief Officers will be considered by CMB.
- 4.5 Where your application is not accepted because it is not appropriate to delete your post, it may, if the DMT considers appropriate, be entered into a central register of employees willing to take voluntary redundancy should another employee facing compulsorily redundancy in the future be a suitable candidate for their post. This is called a “bumped” redundancy. Suitability will be assessed through the normal interview process for redeployment.
- 4.4 If your application is accepted a confirmation e-mail will be sent out.
- 4.5 You may accept or decline the offer.
- 4.6 If you wish to accept the offer, you must confirm by return e-mail that you accept the offer. Appropriate letters setting out the arrangements for leaving, including notice period and last day of service will then be issued and you will be made redundant.
- 4.7 You should be aware that if you obtain a position with this council or another body covered by the Redundancy Modification Order within a month of receiving your redundancy pay you will need to repay your redundancy payment.

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Chief Executive's Department  
Town Hall, Upper Street, London N1 2UD

Report of: Assistant Chief Executive, Governance and HR

Meeting of:	Date	Ward(s)
Audit Committee	22 September 2015	All

Delete appropriate	as	Exempt	Non-exempt
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**APPENDIX 4 TO THIS REPORT IS NOT FOR PUBLICATION**

**SUBJECT: TERMINATION PAYMENT POLICY**

### 1. Synopsis

- 1.1 The Policy and Performance Scrutiny Committee undertook a scrutiny of the council's use of termination payments to staff. As a result of the scrutiny, that committee recommended that this Audit Committee review the council's policy in respect of termination payments to staff, including making some recommendations as to what the policy should contain. This report reviews the current policy and considers the legal and financial implications of the specific recommendations from the Policy and Performance Review Committee.

### 2. Recommendations

- 2.1 To note the content of this report and that the Government intends to implement legislation to impose new governance arrangements in respect of termination payments to council staff.
- 2.2 To agree to receive a further report on termination payments when that legislation is in place in order that the council's processes can be amended to comply with the new requirements.

### **3 Background**

- 3.1 The Policy and Performance Scrutiny Committee considered two reports on the issue of Termination Payments to staff, particularly more senior staff, as part of a scrutiny earlier this year. For the purpose of the review, 'termination payments' covered redundancy, payment in lieu of notice and any additional payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations. Arising out of that scrutiny, the Policy and Performance Committee made four recommendations to this Audit Committee which are discussed in section 5 of this report. The current termination payment arrangements are summarised below.
- 3.2 The Policy and Performance Scrutiny Committee also requested that this Audit Committee be provided with information regarding recent arrangements concerning three specific members of staff and these details are contained in exempt Appendix 4.

#### **Current Termination Payment Policies**

- 3.3 Any council officer whose role is terminated on the grounds of redundancy has a contractual entitlement to a redundancy payment if they have two years' continuous employment and may receive discretionary payments in the event of termination for redundancy or on efficiency grounds. Those who volunteer for redundancy under the council's Voluntary Redundancy Scheme are entitled to an additional £500. There is a report to the committee on tonight's agenda proposing an increase in this amount.

#### **3.4 Redundancy entitlement**

The general redundancy payments policy applies only to employees with two or more years' continuous service with a body listed in the Redundancy Payments (Continuity of Employment in Local Government) Modification Order.

Actual salary rather than the statutory weekly maximum is used for this calculation as permitted by the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended).

#### **3.5 Discretionary Payments**

The Council may use its discretion under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England & Wales) Regulations 2006 (as amended), in exceptional circumstances, to pay a lump sum of up to a total of 2 years (104 weeks) actual pay without any salary cap as a compensatory payment to any employee (eligible for the Local Government Pension Scheme) whose employment is terminated by reason of redundancy or in the interests of the efficiency of the service, including early retirement, in accordance with the council's adopted policy.

### 3.6 **Early retirement**

An employee who is a member of the pension may, on attaining the age of 55 years, choose to take early retirement. An employee electing to retire early will normally have the benefits they are entitled to reduced on an actuarial basis to reflect that they are receiving them earlier than the normal retirement age under the scheme.

An employee who is dismissed on redundancy or efficiency grounds after they have reached the age of 55 years will be entitled to their pension without any actuarial reduction being applied. This leads to pension strain because the payments being made are not fully supported by existing contributions to the scheme. The council is required to make a payment into the pension scheme to cover this strain. This represents an additional cost when employees aged 55 or over leave by reason of redundancy or efficiency.

## 4.0 **Governance processes**

4.1 There are a number of thresholds which trigger governance requirements to ensure that termination payments are lawful and appropriate. In calculating the amount of a proposed payment for this purpose, the following elements of the payment are taken in to account:

- Redundancy payment
- Any additional payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations
- Payment in lieu of notice.

Pension strain is not currently taken into account.

4.2 Payments under £50,000:

Any payments under £50,000 can be approved by a Service Director within the Finance directorate. A form is generated by the HR/Payroll team and passed to Finance for approval. Once approval is received the payment is processed.

4.3 Payments to Chief Officers and other payments of £50,000 to £99,999:

For payments where the proposed payment is to a Chief Officer or exceeds £50,000 a report is prepared by the manager of the employee to whom it is proposed the termination payment be made. A standard template is available (See Appendix 1). Payments proposed must be in accordance with council policy, in particular the council's Discretionary Compensation Policy. The termination payment report must be approved by the Section 151 Officer and the Monitoring Officer (or their duly authorised deputies) and a final decision concerning it made by the Chief Executive before any commitment to make the payment is made, whether in correspondence, discussion or in a compromise, settlement or other formal agreement.

4.4 Payments in excess of £100,000:

The Audit Committee (or its Personnel Sub-Committee) will approve any termination payment to any officer which exceeds £100,000. For this purpose, the pay in lieu of notice element of the calculation only includes payments under the specific provision for 6 months pay in lieu of notice where a Chief Officer's contract is terminated in the interests of efficiency. This ensures that elected councillors are accountable for payments made in these circumstances. This reflects the requirements of the Pay Policy Statement adopted annually by full Council.

## **5.0 Recommendations from Policy and Performance Scrutiny**

### **5.1 Recommendation (i)**

*That all future payments made in relation to terminating employment for staff should identify the types of payments made to such staff, and the explanatory reasons for such payments. In addition, if payments on the grounds of efficiency, or a compensation payment/payments in lieu of notice are made, such payments should be clearly documented with the reasons therefore.*

The different types of payments made to individuals on the termination of their employment are recorded in the Payroll system.

The following forms are completed to record special payments being made in particular circumstances.

- Where employees are dismissed for redundancy or on grounds of efficiency, a form RER1/2 is completed (see appendix 2). A compulsory redundancy will normally be preceded by a detailed reorganisation report.
- Where an employee retires through ill health, form (tier 1-3) is completed (see appendix 2)
- Where an employee departs under the terms of a compromise agreement, the agreement contains the details of payments agreed to be made.
- Where an employee elects to take early retirement, form RER1/2 is completed.

Where the council gives notice to an employee, the termination letter will also set out the payments that are to be made, including whether there is to be any payment made in lieu of notice or of annual leave.

No particular form is required where an employee is to be paid in lieu of notice or in lieu of accrued or untaken annual leave and the instruction to HR to make the payment will normally be included in an email. A new requirement to retain any such instruction on the employee's personal file could be introduced.

The main concern of the Policy and Performance Scrutiny Committee was the transparency of, and accountability for, termination payments made to Chief Officers. It is proposed that the Audit Committee in future receive an annual report summarising termination payments made to Chief Officers in the previous financial year and the reasons for them. The report could also cover



all redundancy payments approved by the Chief Executive under the existing governance procedures.

## 5.2 Recommendation (ii)

*That there be a cap for all future compensation/termination payments, in line with the current cap already in place across the public service and civil service, being a maximum of £100,000 as at June 2015.*

It is not currently the case that there is a cap on compensation/termination payments across the public and civil service of £100k. The current position in the NHS and the Civil Service, for example, is set out in Appendix 3. It was announced in the Queen's Speech that a new Enterprise Bill would be brought forward which would contain provisions to cap exit payments in the public sector. A consultation paper has recently been issued.

This consultation seeks views on a proposal to legislate for a £95,000 cap on the total value of exit payments made to an individual in relation to their exit from public sector employment. The proposal is that the cap will cover payments made in relation to leaving employment, including:

- voluntary and compulsory exits
- other voluntary exits with compensation packages
- ex gratia payments and special severance payments
- monetary value of any extra leave, allowances or other benefits granted as part of the exit process which are not payments in relation to employment payments or compensation in lieu of notice and payments
- relating to the cashing up of outstanding entitlements (such as outstanding leave or allowances that are cashed up and added to the value of the sum)
  
- It is proposed the following will not be in scope: compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement
- payments made following litigation for breach of contract or unfair dismissal

It is proposed that the cap of £95,000 will include cash lump sums, such as redundancy payments; the cost to the employer of funding early access to unreduced pensions for employees where available; and other non-financial benefits, such as additional paid leave. The cap of £95,000 on the total value of the exit payment will apply whether these benefits were taken individually or in combination. It is envisaged that there will be scope for exceptions to be agreed by Full Council in accordance with a policy to be adopted by the council. It is not clear what the parameters of such exceptions may be.

In addition the office of Tax Simplification (OTS) is currently conducting a consultation exercise to explore how the tax and NICs treatment of

termination payments can be made simpler and fairer. Consideration is being given to removing the distinction between contractual and non-contractual termination payments. Currently, the first £30,000 of a non-contractual termination payment is tax free and removal of this threshold will affect net payments. This consultation is due to close on 16 October 2015.

As there will shortly be specific legislation in this area, it is suggested that rather than making changes now to Islington's local arrangements (which are likely to need further changes once the new legislation comes into effect) the committee may wish to ask for a further report to be brought forward once the final detail of the legislation is known.

### 5.3 Recommendation (iii)

*That all termination payments for staff graded PO8 and above should be signed off either by the Chief Executive or the Audit Committee, depending on the sum involved. The Audit Committee may wish to reconsider the current financial limits for allowing the Chief Executive to sign off payments to staff to allow more Member scrutiny of such payments made.*

Between 1 April 2012 and 31 March 2015 there were 31 leavers receiving exit payments graded at PO8 and above. Of these, 23 were graded PO8 – PO11. The total termination payments as defined excluding on-costs for these 31 leavers amounted to £1,038,543.48, excluding a pension strain of £934,799.92. See tables below for details.

#### Numbers

Year	PO 8 – 11	CO grade	Other (Public Health)	Total Numbers
2012	5	0	0	5
2013	9	4	0	13
2014	7	3	0	10
2015	2	0	1	3
Total	23	7	1	31

#### Costs

Payments (excluding pension strain)	Number	Average Payment	Pension strain average (where applicable)
<£50,000	27	£15,967	£58,425
>£50,000+	4	£70,368	0
>£100,000+			

These figures indicate that during the 3 year period considered, if all termination payments (i.e. redundancy, efficiency, PILON) to staff PO8 and above had required approval of the Chief Executive (or the Audit Committee if the payment exceeded £100k as is the current requirement), those requiring approval would have totalled:

Chief Executive Approval – 31 (4 under current governance arrangements)

Audit Approval - 0

These figures increase if Recommendation (iv) of the Policy and Performance Committee is taken into account as shown in paragraph 5.4 below.

#### 5.4 Recommendation (iv)

*That when considering termination/other payments to staff consideration should also be given to the pension strain that the termination will cause*

Of the 31 termination payments referred to above, 15 did not have a pension strain associated with them.

Of the remaining 16 payments, if pension strain had been included in the calculation when deciding what governance rules applied under existing rules, 6 employees not covered by the existing rules would have needed to be approved by the Chief Executive and 6 by the Audit Committee.

If pension strain for staff at grades below PO8 were also considered, this would further increase the number of termination payments caught by the existing thresholds in the current governance arrangements.

The specific legislation consulted on by the government includes a proposal that pension strain be included in the calculation of termination payments. It is suggested to the committee that rather than making changes now to Islington's local arrangements (which are likely to need further changes once the new legislation comes into effect), the committee may wish to await the further report referred to above once the provisions of the new legislation are settled.

#### 5.5 General observations

Increased oversight by Audit of the use of termination payments will improve transparency and accountability for termination payments. However, this needs to be balanced with enabling efficient management of departures from the council, in particular through necessary service re-organisations. Increasing the number of decisions which have to be referred to the Chief Executive or, particularly, to the Audit Committee, is likely to delay implementation of restructures while decisions about these members of staff are awaited. It may also have a dampening effect on volunteering for redundancy, particularly at middle and more senior levels. The voluntary

redundancy scheme report also on tonight's agenda highlights the advantages of a successful voluntary redundancy scheme.

- 5.6 The proposed annual report to the Audit Committee would enable the Audit Committee to have oversight of high value payments without a negative impact on efficiency. Prior approval for payments over £100k would still be required.
- 5.7 In any event, if an employee is made redundant in circumstances where the resulting pension strain causes £100k to be exceeded, there will nonetheless be an obligation under the LGPS for the pension strain to be incurred. Any cap would therefore have to leave room for exceptions in this and other circumstances.

## **6.0 Implications**

### **Financial implications:**

The report sets out the current financial position on termination payments and recent termination data. The proposed annual report to the Audit Committee strikes a reasonable balance between the need for scrutiny and the need for the prompt exercise of management discretion in an environment of significant annual savings. Given the government intends to legislate on termination payments it is sensible to wait for such legislation before amending the Council's current policy.

### **Legal Implications:**

The council's current termination payment approval process in Appendix 1 makes specific provision for approval of termination payments in the context of Employment Tribunal proceedings to ensure the best outcomes for the council can be achieved. Other Legal Implications are set out in the body of the report.

### **Environmental Implications:**

None

### **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.

When making decisions individual decisions under the Termination Payments

Procedure the council's equalities obligations must be observed. Pension strain costs are generally only incurred in respect of employees aged 55 and the obligation to avoid discrimination on grounds of age would need to be carefully considered in respect of decisions involving pension strain.

## 7.0 Conclusion

This report provide the committee with legal, HR and financial advice on the recommendations it received at its last meeting from the Policy and Performance Scrutiny Committee. It is proposed that in order to increase transparency and accountability in respect of termination payments to staff, the Audit Committee receive an annual review report covering significant termination payments. In view of the government proposals to introduce legislation addressing many of the issues raised by the Policy and Performance Scrutiny Committee, it is recommended that the committee consider making changes to the council's procedure only once the content of that legislation is finalised and that a further report be brought to the committee at that time

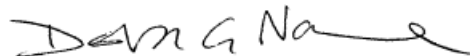
### Appendices:

- 1 Procedure for approval of termination payments
- 2 Existing Forms
- 3 Severance Pay In Parts Of The Public Sector

**Background papers:** - NONE

Final report clearance:

**Signed by:**



14 Sept 2015

Debra Norman  
Assistant Chief Executive (Governance and HR)

Date

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## Appendix 1

### Procedure for approval of termination payments

- 1 This procedure applies to termination payments to Chief Officers (in this procedure this means officers on Chief Officer grades) or other officers where the proposed payment exceeds £50k.
- 2 This procedure does not apply where the payment is required to be considered by the council or one of its committees or sub-committees before it is agreed.
- 3 This procedure does not apply in full where the payment is agreed in the course of Employment Tribunal or other proceedings. In such cases section 9 and 10 will apply.
- 4 A termination payment is a payment which it is proposed will or may be made relating to the termination of an employees employment with the council.
- 5 In calculating the amount of a proposed payment, the following elements of the payment shall be taken into account, if they apply:
  - (a) Redundancy payment
  - (b) Any additional payment under the Local Government (Early Termination of Employment) Discretionary Compensation Regulations
  - (c) Payment in lieu of notice
- 6 A report in the form attached to this procedure shall be prepared by the manager of the employee to whom it is proposed the termination payment be made.
- 7 Payments proposed must be in accordance with council policy, in particular the council's Discretionary Compensation Policy.
- 8 The termination payment must be approved by the s151 Officer and the Monitoring Officer (or their duly authorised deputies) and a final decision concerning it made by the Chief Executive before any commitment to make the payment is made, whether in correspondence, discussion or in a compromise, settlement or other formal agreement.
- 9 In the case of a termination payment which is negotiated in the context of Employment Tribunal or other proceedings, where possible a report in the form attached will be completed prior to agreement as to the termination payment being reached.
- 10 Where this is not possible (for example, because the possibility of settlement arises unexpectedly and must be dealt with within a tight timeframe or it becomes apparent during the course of a hearing that the amount likely to be awarded by a tribunal is in excess of that anticipated prior to the hearing as possible in the event of an adverse finding) the officer with relevant delegated power giving instructions in the proceedings may, after taking legal advice, agree the termination payment.

**Report of: [INSERT JOB TITLE OF MANAGER PROPOSING TERMINATION PAYMENT]**

<b>SUBJECT: Termination Payment – [INSERT NAME OF EMPLOYEE]</b>	
<b>1</b>	<b>Recommendations</b>
	<p><b>(Delete as applicable)</b>            That the Chief Executive agree that a termination payment of [ £ ] be made to NSERT NAME OF EMPLOYEE].  <b>OR</b>            That the Chief Executive agree that a compromise/settlement agreement containing the following provisions as to payment be entered into between the council and [INSERT NAME OF EMPLOYEE].  <b>OR</b>            That the Chief Executive agree that [INSERT OFFICER’S JOB TITLE] may agree a termination payment of up to [£ ] in respect of [SPECIFY PROCEEDINGS]</p>
<b>2.</b>	<b>Background</b>
2.1	[INSERT THE DETAILS OF THE EMPLOYEE].
2.2	[SET OUT THE REASONS FOR THE EMPLOYEE’S EMPLOYMENT BEING TERMINATED]
2.3	[SET OUT THE CALCULATION OF THE PROPOSED TERMINATION PAYMENT]
2.4	[SET OUT THE REASONS FOR THE ELEMENTS AND AMOUNT OF THE PROPOSED TERMINATION PAYMENT – including application of the Discretionary Compensation policy]
2.5	[SET OUT THE DETAILS OF ANY CURRENT EMPLOYMENT TRIBUNAL OR OTHER PROCEEDINGS].
<b>3</b>	<b>Implications</b>
	<p><b>Financial Implications:</b>            [TO BE COMPLETED BY FINANCE].  <b>Legal Implications:</b>            [TO BE COMPLETED BY LEGAL SERVICES].  <b>Equalities implications:</b>            [COMPLETE AS APPLICABLE]</p>

Section 151 Officer and Monitoring Officer or authorised deputy to indicate their approval of the recommendations and the Chief Executive to indicate her/his decision by:

- signing and dating this report and returning it the Head of HR OR
- emailing the Head of HR attaching a copy of the report and confirming their approval of its recommendation.

**Appendix 2  
Current Forms**
**Ill health Retirement RER 2**

Please use this form in conjunction with the Estimate Form - RER1 (Ill health)

**Part 1 - To be completed by the Manager**

Nature of Referral	Please tick
Tier 1~ The employee is permanently incapable of discharging efficiently the duties of their post because of ill health or infirmity of mind or body <b>and</b> there is <u>no</u> reasonable prospect of being capable of undertaking any <b>gainful employment</b> before normal retirement age.	
Tier 2 ~ The employee is permanently incapable of discharging efficiently the duties of their post because of ill health or infirmity of mind or body <b>and</b> is not capable of undertaking <b>gainful employment</b> within <b>3 years</b> <i>but</i> is likely to be able to do so before normal retirement age.	
Tier 3 ~The employee is permanently incapable of discharging efficiently the duties of their post because of ill health or infirmity of mind or body <u>but is</u> likely to be capable of undertaking <b>gainful employment</b> within <b>3 years</b> .	

**Part 2 - To be completed by the Manager**

Employee Details	
Name of Employee	
Service Area	
Pension Details and Payment	Annual Pension £  Lump Sum        £



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**Part 3 - To be completed by the Manager**

**Reason(s) for the Referral and Payment– Please give details**

**Name of Officer making the referral:**

**Date:**

Part 4

Recommendations and Authorisation		Comments by designated officers (if any)
<p><b>I <i>agreed / do not agree</i> to the above payments and confirm the reason(s) for the payment as outlined above and that available</b></p>		
<b>1</b>	<b>Name of Head of Service / Chief Officer</b>	
	<b>Date:</b>	
<b>2</b>	<p><b>Corporate Director to authorise any post, up to but excluding Corporate Director level posts</b></p> <p><i>or</i></p> <p><b>The Chief Executive to authorise all posts at Corporate Director level</b></p> <p><i>or</i></p> <p><b>Audit Committee to authorise in the case of the Chief Executive</b></p>	
	<b>Date:</b>	
<b>3</b>	<p><b>Recommendation of the Authorised Finance Officer</b></p> <p><b>Name:</b></p>	
	<b>Date:</b>	

Completed forms IL1 and IL2 with all the relevant signatures should be scanned and emailed to: HR Express or sent to: HRExpress at Second Floor Town Hall London N1 2UD

For further details about completing this form email: HRExpress or telephone 0207 527 6070. For pension queries contact 0207 527 2028.

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**Discretionary Compensation Payment**

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Please refer to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006

**I agree that a discretionary payment should be made to:**

**Name of Employee:**

**Discretionary Payments (if applicable) – To meet audit requirements please give full details of why an award should be given and the number of weeks discretionary payment to be made.\***

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<b>Funding source / budget code</b>	
<b>Details of Pension Augmentation if applicable:</b>	
<b>Nomination by Head of Service / Chief Officer:</b>	<b>Nam</b>
<b>Date of nomination</b>	
<b>Authorisation by Corporate Director</b>	<b>Name</b>

<b>(or in the case of a Corporate Director by the Chief Executive):**</b>	
<b>Date of authorisation:</b>	

## 1 Factors taken into account

The following factors will be taken into account when deciding whether to award a compensatory payment and, if a compensatory payment is made, the amount of that payment:

- Individual financial and other personal circumstances
- The Council's interests, including corporate and service imperatives
- The Council's fiduciary duty, including its duty to protect the interests of Council Tax payers and to exercise prudence and propriety
- Overall work record of the employee, including performance, attendance, length of service, level of responsibility and disciplinary record
- Any other factor relevant to the individual case

Redundancy and efficiency payments will be met from service department budgets.

## 2 Augmentation

The Council has a discretion to augment (i.e. increase) a member's pension by virtue of Regulation 12 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

The augmentation provisions allow the Council to award a member an additional provision of membership at any time during active membership of the scheme.

The Council's general policy on augmentation is that no extra membership should be granted, subject to exceptional individual circumstances. However, as an exception to the general augmentation policy, the Council will use the augmentation provisions to give pension scheme members the option on a redundancy or efficiency dismissal of converting some or all of any discretionary compensation payment (less the statutory or contractual redundancy payment) into additional pensionable service up to a maximum of 10 years.

\*For further details please contact your HR Business Partner.

\*\* To be completed by the Chair of the Audit Committee in the case of the Chief Executive.

RER2

**Authorisation for Release of Redundancy and/or Pension Payments**

**This form is to be used alongside the RER1 Form**

<b>PART 1 - To be completed by the Change Manager</b>	
<b>Nature of Referral</b>	<b>Please tick the relevant boxes</b>
Business Efficiency/Redundancy	
<b>Pensions Release (if over 55) - please specify type of release, e.g. voluntary request/redundancy/compassionate grounds, ex employee)</b>	
<i>85 year rule switched off</i>	
<i>85 year rule switched on (explicit management instruction &amp; authorisation required)</i>	
<b>Please give details of referral</b>	
<b>Name Of Officer Making the referral</b>	
<b>Date</b>	

N.B For ill health retirement please use the ill health RER forms

<b>PART 2 - Employee Details</b>		
Name		00/01/1900
Service Area		0
Last Day of Service		00/01/1900
Redundancy Payment		#REF!
PILON - where applicable, <b>please give number of weeks</b>		
Pensions Details and Payment - include capital cost of pension strain where applicable	Annual Pension	£0.00
	Pension Lump Sum	£0.00
	Capital Cost of Pension Strain	£0.00

<b>PART 3 - To be Completed by Senior Management</b>		
		Signature and Comments if any
I agree/do not agree to the above payments and confirm the reason(s) for the payment as outlined above and that funds are available		

Name of Head of Service/Chief Officer		
Date		
Second Signatory		
Date		
<p><i>Notes for Second Signatory - Corporate Director to authorise any post, up to <b>BUT</b> excluding Corporate Director Posts <b>OR</b> The Chief Executive to authorise all posts at Corporate Director level <b>OR</b> The Audit Committee to authorise in the case of the Chief Executive</i></p>		
Finance Signatory		
Date		
<p><i>Notes for finance Signatory -</i></p>		

Completed forms (RER1 and RER2) with all relevant signatures should be scanned and returned to the HR Officer or [hr.express@islington.gov.uk](mailto:hr.express@islington.gov.uk) OR sent in the internal post to HR Operations, 2nd Floor, Town Hall, Upper Street, London, N1 2UD

If you have any queries (not pensions queries), please contact your HR Officer of HR Operations on 020 7527 6070

For pensions related queries, please contact 020 7527 2028



## **Appendix 3: SEVERANCE PAY IN PARTS OF THE PUBLIC SECTOR**

### **Severance Pay in the NHS**

From 1 April 2015, new NHS redundancy arrangements came into effect in England.

Staff who are made redundant receive one month's pay per year of reckonable service, with a maximum of 24 months' pay. A month's pay is subject to a total annual earnings floor of £23,000 and cap of £80,000. The maximum that can be paid under these provisions is £160k

### **Severance Pay in the Civil Services**

Compulsory redundancy:

The current scheme pays 1 month's pay for every year of service up to a maximum of:

- 12 months for those under scheme pension age
- 6 months for those over scheme pension age.

A month's pay is subject to a total annual earnings floor of £23,000 and cap of £149,820. The maximum that can be paid under these provisions is £149,820.

Voluntary redundancy:

As above but 1 month's pay for every year of service up to a maximum of:

- 21 months for those under scheme pension age
- 6 months for those over scheme pension age.

The maximum that can be paid under the scheme is £262,185

### **Comparison with Islington's Arrangements**

Redundancy payments in both sectors are considerably more favorable to employees than the current arrangements in the council. Under the council's scheme, an employee made redundant over the age of 61yrs from the council's most highly paid post with the maximum years of reckonable service under the scheme would receive £92k.

The Local Government (Early Termination of Employment) Discretionary Compensation Regulations allow this to be topped up (subject to the criteria in the council's scheme) to 104 weeks' pay. This would total approximately £320k for the highest paid member of staff.

In the NHS and Civil Service sectors there is provision made for "Special Severance Payments" which can be paid outside an employee's statutory or contractual entitlement can be made upon termination of their employment contract. There does not appear to be a specific cap on the payment amount.

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By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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