

Islington Council Statement of Accounts 2021/22

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Introduction by the Chief Financial Officer

I have great pleasure in presenting the Statement of Accounts for the year ended 31 March 2022. 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

Islington is a fantastic borough which possesses the best that London has to offer: thriving businesses, excellent transport links, outstanding services; and most importantly, a rich and wonderful diversity of people, cultures, and communities. But Islington is also the 6th most deprived borough in London and a place of contrasts where the gap between the "haves" and "have nots" is stark. Over the past year the council has carried out its largest ever engagement programme, called Let's Talk Islington, to hear from residents about their experiences of inequality, the issues that matter most to them and their hopes and aspirations for the future. Residents told us that poverty, affordability and cost of living, housing conditions, mental ill-health and anxiety about the future, lack of access to good jobs, poor air quality, prejudice, racism, and injustice are all things that are important to them and need to be addressed. These factors hold too many people back, depriving them of opportunities, choices, and the autonomy to shape their lives in the way they want.

Therefore, the council launched its new Strategic Plan, 'Islington Together for a more equal future'. This document sets out what we would like to achieve for our residents, along with the principles that will guide our approach to achieving change. The strategic plan sets out our core priorities of:

- We invest in local jobs and businesses to ensure a thriving local economy
- We work together to create a cleaner, greener, healthier borough
- We stand with our communities, so they are safe, connected, and inclusive
- We nurture our children and young people in Islington, so everyone has the very best start
- We make sure everyone has a place to call home which is secure, decent, and genuinely affordable

The new strategic plan is launched as the borough and the country endure an ongoing impact and legacy of COVID.

The start of the financial year saw many parts of the economy still under severe restrictions; until late June 2021 social contact was limited between individuals. This continued to have huge impacts on local government finances. The council estimates that during 2021/22 the impact on the General Fund was a £20.4m pressure. Against this, relevant Government support in-year was limited to £14.5m. In addition, the council brought forward prior year losses on the Collection Fund, which the Government allowed councils to meet over a 3-year period.

As the financial year drew towards its close, the economy started to encounter the escalating costs resulting from Russia's invasion of the Ukraine. As well as global food shortages, this unjustified act caused an escalation in global energy prices. Public sector bodies are particularly impacted by this, due to their obligations to look after the most vulnerable in society and the large supply chain which supports front line service delivery. Our residents will feel this the most and as prices continue to rise, it is vital that we are more disciplined than ever in ensuring our scarce resources go to those who need them the most.

Overall, despite all of this I believe this Statement of Accounts presents a positive picture in relation to the way the organisation has dealt with these challenges. The council was able to meet the need for increasing its financial resilience whilst also ensuring it had adequately resourced its priorities. This has been because of hard work and dedication from councillors, staff, and partners across the whole organisation. This collective effort is needed more than ever as our challenges persist.

Finally, in respect of the production and audit of this Statement of Accounts. This year has been the most challenging year yet for public sector finance teams. As this document is drafted, there is a moratorium on the certification of Local Authority Audits pending a satisfactory outcome in relation to accounting for Infrastructure Assets. Councils and audit firms continue to experience difficulty in recruiting and retaining sufficient and suitable staff, and the requirements on those staff are significantly raised year on year. I believe this council is well-placed to deliver to this agenda going forward, however there has never been a more challenging time for the sector as a whole.

This year's Public Inspection of the Accounts period runs from the 3 October to the 11 November 2022 inclusive. Further details are available from our website.



David Hodgkinson
Corporate Director of Resources
30 September 2023

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

The Audit Report 2021/22 will appear here once the audit is completed

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

The Audit Report 2021/22 will appear here once the audit is completed

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2021/22

The Narrative Report provides an explanation in overall terms of the council's financial position and helps interpret the accounting statements. The aim of the Narrative Report is to explain the financial facts rather than provide a commentary on the council's policies. The Statement of Accounts has been prepared on the basis that the council is a going concern. This reflects the legal requirement to set a balanced budget; the ability of the Section 151 Officer to issue a Section 114 notice, preventing non-essential expenditure if there is a risk of running out of cash; and the ability of the government to intervene and set an alternative budget if elected Members decide to set an unbalanced budget.

Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

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

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

The core financial statements comprise:

- Movement in Reserves Statement – showing the movement on the different reserves held by the council, analysed into usable reserves (those that can be applied to fund expenditure or reduce taxation) and other reserves.
- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the council in the year.
- Balance Sheet - highlights the council's financial position on 31 March 2022; in particular what it owns versus what it owes.
- Cash Flow Statement - illustrates the council's total cash transactions in the financial year, split between revenue expenditure (day-to-day expenditure), capital expenditure (long-term investment in assets) and financing transactions (how we pay for the expenditure).

The supplementary financial statements applicable to Islington Council comprise:

- Housing Revenue Account – Income and Expenditure Account, and Statement of Movement on the Housing Revenue Account Balance – transactions relating to council dwellings.
- Collection Fund – receipts and payments relating to council tax and business rates.
- The Pension Fund Account and amounts attributable to trust funds are shown separately because they are not part of the council's single entity accounts. For the Pension Fund administered by Islington Council, these include:
 - Fund Account - a summary of the resources generated and consumed by the fund in the year
 - Net Assets Statement - shows the Pension Fund's financial position on 31 March 2022

The Expenditure and Funding Analysis (Note 11) gives a clear link between in-year reporting of financial performance and the final outturn set out in the core financial statements.

In common with most other local authorities, the Pension Fund has a deficit. The council asks an independent actuary to review the Pension Fund's position triennially and advise how to set the contributions to the Pension Fund to address the deficit. Such a review took place as at 31 March 2022. More information can be found in the Pension Fund Account pages.

General Fund Outturn 2021/22

After transfers to earmarked reserves, there was a net underspend of £3.259m on the General Fund, comprising £5m underspend on the non-schools position less £1.795m drawdown of schools balances.

| Departmental income and expenditure (excluding HRA) | Gross Expenditure £'000 | Gross Income £'000 | Net Outturn £'000 | Net Budget £'000 | Over / (Under) £'000 |
|--|----------------------------|-----------------------|----------------------|---------------------|-------------------------|
| Frontline Services | | | | | |
| Adult Social Services | 158,184 | (81,562) | 76,622 | 71,821 | 4,801 |
| Children' Services | 173,967 | (80,809) | 93,159 | 88,270 | 4,888 |
| Schools | 329,634 | (320,764) | 8,870 | 7,086 | 1,784 |
| Community Wealth Building | 55,017 | (38,588) | 16,429 | 15,867 | 561 |
| Environment | 110,111 | (89,467) | 20,644 | 18,533 | 2,111 |
| Fairer Together | 11,871 | (4,842) | 7,029 | 7,561 | (532) |
| Homes and Neighbourhoods | 40,081 | (24,417) | 15,664 | 17,354 | (1,690) |
| Public Health | 34,541 | (34,107) | 434 | 295 | 139 |
| Central Services | | | | | |
| Chief Executive | 3,741 | (1,790) | 1,951 | 1,421 | 530 |
| Resources | 197,648 | (167,251) | 30,397 | 28,568 | 1,829 |
| Corporate Items | | | | | |
| Corporate items | 26,814 | (288,381) | (261,567) | (262,276) | 709 |
| Application of COVID-19 Contingency | - | - | - | 5,500 | (5,500) |
| Application of COVID-19 grant | - | (12,111) | (12,111) | - | (12,111) |
| SFC Compensation (Estimate) | - | (2,395) | (2,395) | - | (2,395) |
| General Fund Variance (before outturn transfer to Energy and Inflation Smoothing Reserve) | 1,141,609 | (1,146,483) | (4,873) | - | (4,874) |
| Outturn transfer to Energy & Inflation Smoothing Reserve | 1,615 | - | 1,615 | - | 1,615 |
| Net General Fund Variance | 1,143,224 | (1,146,483) | (3,258) | - | (3,259) |
| Transfer (to)/from General Fund Balances (excluding schools) | | | (5,054) | - | (5,054) |
| Transfer (to)/from Schools Balances | | | 1,795 | - | 1,795 |
| Total | | | | | (3,259) |

| Departmental income and expenditure (including HRA) | Over / (Under) £'000 |
|--|-------------------------|
| General Fund over/(under) spend for the year (including schools) | (3,259) |
| Housing Revenue Account over/(under) spend for the year | - |
| Net expenditure | (3,259) |

The 2021/22 Provisional Outturn report on the council's website gives a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To maintain its financial resilience, as a minimum the council aims to maintain the General Fund balance (excluding schools) at a level where it is commensurate to the council's overall level of budget risk that the council faces over the medium term. On 31 March 2022 the General Fund balance (excluding schools) totalled £21.718m (£16.664m on 31 March 2021). The schools balance totalled £8.314m (£10.109m on 31 March 2021). The council has limited powers to supplement its budget from reserves. It is required to maintain a reasonable level of General Fund balances, whilst schools and HRA balances are ring-fenced. However, it can use earmarked reserves to supplement the budget if they are no longer required.

Housing Revenue Account 2021/22

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The provisional outturn for the HRA is an in-year deficit of (+£18.541m) compared to original budget assumptions which will be funded from HRA reserves. The deficit relates to technical overspends including revenue contributions to capital outlay, increased depreciation and reduced capitalisation of salary costs which will be reversed out in future years through increased borrowing and reduced revenue contributions leading to an overall neutral impact on the HRA business plan. Total HRA earmarked reserves were £58.2m at 31 March 2022 (£91.5m at 31 March 2021).

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

Capital Expenditure and Funding 2021/22

Capital expenditure of £128.269m was delivered against the revised 2021/22 budget of £163.326m, representing 78% spend against budget. The variance from budget was predominantly due to non-COVID-19 related delays across the programme. The table below sets out this expenditure by department.

| Capital Programme Outturn 2021/22 | 2021/22 Capital Budget <i>£m</i> | 2021/22 Capital Expenditure <i>£m</i> | Re-profiling (to)/from future years <i>£m</i> |
|-----------------------------------|---|--|--|
| Non-Housing | 27.565 | 18.060 | (9.505) |
| Housing | 135.761 | 110.209 | (25.552) |
| Total Capital Programme | 163.326 | 128.269 | (35.057) |

The financing of the 2021/22 capital programme is summarised in the table below.

| Funding Sources | | £m |
|--|--|----------------|
| Capital Grants & Third Party Contributions | | 25.617 |
| Capital Receipts | | 0.962 |
| HRA - Major Repairs Reserve | | 33.445 |
| HRA - Revenue Account | | 46.604 |
| General Fund Revenue Account | | 0.000 |
| General Fund Borrowing | | 21.641 |
| Total Funding | | 128.269 |

Net Assets as at 31 March 2022

The council's balance sheet shows what the council owns and owes at the end of the financial year.

This year it shows net assets of £3.7bn, (made up of £5.3bn of assets and £1.6bn of liabilities). The most significant asset held by the council is its Property, Plant and Equipment portfolio (worth £5bn), of which council dwellings make up £3.5bn.

The largest liability facing the council is in relation to the Pension Scheme (£916m). Details of this scheme and the council's plans to overcome the liability are given later in the Narrative Report.

The balance sheet also includes a long-term liability of £82m relating to the council's PFI and similar schemes and is payable over the next 20 years. Further details can be found in Note 20. There were no individually material assets added this year or significant new liabilities incurred.

Current assets (amounts due within 12 months) include £107.1m of short-term debtors (£116.9m 2020/21). £56.5m was owed by central government and other public sector bodies mainly for grants and reimbursements. Other debtors include council tax, NNDR and parking debts. Short-term debtors are included in the balance sheet net of a £101m provision for uncollectable debts. Whilst the council makes every effort to recover outstanding debts, it is prudent to set money aside to allow for the possibility that some debts will not be recovered.

The balance sheet also includes short-term creditors of £202.7m (£184.9m 2020/21). A significant proportion of these relate to central government and other public sector bodies, at £127m. Short-term PFI creditors amounted to £4.6m.

Borrowing and Investments 2021/2022

As at 31 March 2022, the council had £95.6m of temporary investments (£151.7m in 2020/21) and £10.7m of temporary debt (£75m in 2020/21). These investments were for periods ranging from a week to 364 days at an average interest rate of 0.28% for temporary investments and 0.10% for temporary debt. The total long-term debt is now £264m compared to £296.6m as at 31 March 2021. The average rate of interest on external borrowing has decreased from 3.29% in March 2021 to 4.2% in March 2022.

During the year, the council complied with the treasury limits and Prudential Indicators set out in the council's Annual Treasury Management and Investment Strategy 2021/22.

| 31 March 2021 | Treasury Management Cashflow | | 31 March 2022 |
|------------------|------------------------------|--|------------------|
| £'000 | | | £'000 |
| 6,889 | Cash & Cash Equivalents | | 14,713 |
| 152,097 | Short Term Investments | | 95,661 |
| 158,986 | Total | | 110,374 |

The main factors that would affect cash in the future are:

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

Material and unusual charge or credit to the accounts

There were no material and unusual charges or credits to the accounts in 2021/22.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £39.5m as at 31 March 2022 (£39.2m as at 31 March 2021). The most significant provision is the Insurance Provision (£16.428m as at 31 March 2022). Since 1992/93, the council has self-funded many of its insurable risks and a large part of the provision relates to claims submitted against the council since then which are still open, where the council has not yet paid out.

Material events after the reporting date

Material events after the reporting date are disclosed in Note 34.

Significance of the pension liability

The estimated pension liability facing the council is £916m at 31 March 2022 (£973.5m as at 31 March 2021). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. The total net liability of £916m has a substantial impact on the net worth of the council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

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

In 2022/23, the council is expected to make contributions of £30.4m to the Local Government Pension Scheme and the London Pension Fund Authority.

Looking forward

On 3 March 2022, the council agreed its budget for 2022/23 and set a budget requirement of £105.425m. This resulted in a basic amount of band D council tax of £1,314.65 (representing a council tax increase of 2.99%) and a total amount of band D council tax (including GLA precept) of £1,710.24.

The net costs of services funded by local taxation and Revenue Support Grant is shown below:

| Planned Revenue Expenditure | 2022/23 |
|---|----------------|
| | £'000 |
| Frontline Services | |
| Adults Social Services | 56,769 |
| Children's Services | 84,966 |
| Community Wealth Building | 16,627 |
| Environment | 5,389 |
| Fairer Together | 7,112 |
| Homes & Neighbourhoods | 6,354 |
| Other Services | 31,231 |
| Net Cost of Services | 208,448 |
| Net Operating Expenditure | 208,448 |
| Funded By: | |
| Retained Business Rates | 77,676 |
| Council Tax | 105,425 |
| Revenue Support Grant | 25,347 |
| Net Cost of Services/Net Operating Expenditure | 208,448 |

The medium-term budget gap is kept under constant review and will be assessed in detail in advance of the next budget setting process.

Key Revenue Cost Pressures

The council's Medium Term Financial Strategy (MTFS) assumes a 2% per annum pay award for 2022/23 and over the medium-term. Every 1% increase in pay equates to approximately £1.75m for the General Fund – this is a significant risk going forward.

As a result of the recently announced Health and Social Care reforms, there will be a 1.25% increase in employer National Insurance Contributions (NICs) from April 2022. This equates to a pressure on the council's General Fund employee costs of at least £2m per annum. There will be a further related pressure on ring-fenced areas of the council's budget such as the Housing Revenue Account (HRA) as well as on the council's contracts.

Employer pension contributions are expected to be broadly unchanged in 2022/23 based on the 2019 triennial pension fund valuation, with the funding strategy to be agreed for the 2023/24 budget (and over the medium term) following the 2022 valuation.

The MTFS provides for contract and non-pay inflation that cannot be managed within existing budgets. This includes the significant impact on adult social care contracts of the National Living Wage (from £8.91 to £9.50 per hour), London Living Wage (from £10.85 to £11.05 per hour) and National Insurance (1.25% increase) increases. It also includes provision for the potential impact of rising energy costs. Rising inflation, particularly in relation to fuel and energy costs, but also in respect of the headline rate that can impact on the cost of contracts, represents a significant medium-term budget pressure for the council.

A further, significant cost pressure for the council is the increasing quantum and complexity of demand for council services. Based on latest estimates, the MTFS assumes demographic budget growth of £3.057m in 2022/23 and, on average, in the region of £5m per annum over the medium term. This is the net growth requirement after planned management actions to mitigate cost increases. There is considerable uncertainty around these estimates due to the unknown lasting impact of the pandemic on demand, a rising and ageing population with more complex needs and potential economic downturn impacts going forward.

The Office for Budget Responsibility (OBR) published the Economic and Fiscal Outlook alongside the Spring Statement in March 2022. The key points included:

- Forecast GDP growth of 3.8% in 2022, 2.2% less than forecast in October. This slows to 1.8% in 2023 as the rebound from the pandemic stabilises.
- Consumer Price Inflation (CPI) was forecast to average 7.4% in 2022 and to peak at almost 9%, the highest level in almost 40 years (this has already proved an underestimate). Real wages are just 3% above pre-pandemic levels indicating that the high levels of inflation, combined with net tax increases from April, will put pressure on household budgets.
- The Bank of England base rate of interest was forecast to peak at around 1.9% in 2023.
- Public Sector Net Borrowing (shortfall in income compared to spending) was forecast to reduce from £322bn in 2020/21 to £128bn in 2021/22. Borrowing in 2022/23 was forecast at £99bn.
- Interest costs on government debt were set to reach a record-high of £83bn in 2022, double the previous forecast and four-times the amount spent on debt interest last year. The public finances will need be managed in the context of high, and increasing, government borrowing costs.
- Unemployment is expected to be 3.9% in the first quarter of 2022, a reduction of 1.1% from the October forecast due to high vacancies and low redundancies. Unemployment is expected to settle at 4.1% over the medium term.

On 3 March 2022, the council agreed a capital programme of £614.6m over the three years from 2022/23 to 2024/25 as shown below, as part of an indicative programme of £1,733.6m over the next 10 years.

| Capital Programme 2022/23 to 2024/25 | 2022/23 | 2023/24 | 2024/25 | Total |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Corporate Landlord Service | 19,721 | 17,273 | 19,917 | 56,911 |
| Environment | 25,481 | 27,147 | 20,804 | 73,432 |
| Homes & Neighbourhoods | 168,607 | 168,632 | 147,049 | 484,288 |
| Total | 213,809 | 213,052 | 187,770 | 614,631 |

Corporate information summary

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

Key Islington Facts and Figures

- 15 square kilometres – the third smallest London borough.
- Growing population – 245,827 estimated in 2022, an increase of 19% or 39,189 since 2011 with an increase of 2.7% or 6,600 people expected over the next ten years.
- Second most densely populated authority in the country with 16,699 people per square kilometre, this is almost three-times the London average and more than 38-times the national average.
- Only 13% of the borough is green space, the second lowest for all authorities.
- Young – 18% under 18, only 9% over 65.
- Diverse population – 32% Black Asian or other Ethnic groups with 48% White British or Irish and 20% Other White, 32% born outside the UK.
- 5,157 people in the borough are on Disability Living Allowance (it is estimated that 14% of the population have a disability).
- 10,000 businesses.
- Economic inequality – the borough includes areas of affluence and significant deprivation, with almost every ward including neighbourhoods among the 20% most deprived in the country. Life expectancy varies significantly across the borough, but average life expectancy in Islington is amongst the lowest in London and significantly lower than the London and national average.
- Deprivation - Islington is the 53rd most deprived authority in England (as of 2019) and the 6th most deprived in London. It has the tenth highest rate of child poverty nationally (the highest in London) and fourth highest rate of pensioner poverty in London.

Impact of COVID-19 on the council

Rather than a one-off event that the council's budget is recovering from, COVID-19 will continue to have an ongoing impact on the council's budget for the near future. There is a need to significantly increase resilience in the council's balance sheet and reserves to reflect hardening budget risks over the medium term (including in respect of council tax and business rates income) and the time-limited (non-recurring) nature of COVID-19 government funding.

Overall impact on budget and government support

It is expected that COVID-19 will continue to have an impact on the council's budget. Therefore, it is essential that the council has sufficient annual contingency budget and reserves to boost financial resilience and protect residents. The government has advised that councils should plan for no further funding in 2022/23 other than hardship funding announced in 2022 Spring Statement, and any funding confirmed in subsequent announcements.

Collection Fund deficits are being spread over 3 years (2021/22 to 2023/24). COVID-19 is expected to have some ongoing impact on council tax and business rates income beyond 2021/22.

Overall impact on services

COVID-19 has continued to have an impact during the past year on council services including adults' and children's social care, housing, registrars, democratic services, digital services, street markets, parks and leisure centres to name but a few. These impacts have been monitored on a regular basis by the council and included in returns to Department for Levelling Up, Housing and Communities. There may be some continuing impacts during 2022/23 as the economy and health and care services continue to recover from the pandemic.

Residents and Businesses

During the last year, the council has operated a borough-wide helpline to assist residents who are vulnerable or self-isolating because of COVID-19. The 'We are Islington' helpline offered assistance with food drops, medicine and other practical support, as well as arranging someone to talk to if people are feeling lonely while self-isolating. The council has received about £3.5m in 2021/22 from the government Hardship Fund to provide additional support with council tax costs and other hardship support for the least well-off residents.

The council has supported local businesses impacted by continuing restrictions during 2021-22 including those resulting from the Omicron variant in late 2021 and restart payments, funded by government grants.

Council Workforce

As at 29 March 2022, of those scheduled to work, 40% of staff were working from home, 38% were on site, and 22% unavailable.

Procurement and Supply Chains

The council has needed to adapt to a position of recovery and transition from the earlier stage of the COVID-19 outbreak. COVID-19 in isolation is unlikely to represent a specific decision for procurement. However, COVID-19 and the impact still has a significant impact on costs to our supply chain and businesses and schemes have remained in place to support businesses. The council's supply chain and local businesses have additionally been hit by inflation particularly in energy pricing from the wider fall out from what has happened in Russia and Belarus, albeit the council has not traded directly with Russian based organisations.

The government issued a Procurement Policy Note (PPN) 05/21 on a new National Procurement Policy Statement which requires the council to take account of national priority outcomes alongside any additional local priorities in their procurement activities. Those priorities include:

- Creating new businesses, new jobs and new skills
- Tackling climate change and reducing waste
- Improving supplier diversity, innovation and resilience.

These new national priorities are in line with the commitments the council has already made more aggressively than central government in the Progressive Procurement Strategy 2020/27 and other commitments, such as the Climate Emergency.

The council has updated Procurement Rules in line with new national thresholds and other legislative and policy commitments.

Islington Council Priorities

We stand up to and challenge inequality. We must focus on challenging inequality so that no one is left behind; so that all our residents are able to access opportunity and are empowered to achieve their goals. Structural inequalities continue to hold too many people in society back from reaching their full potential and we cannot realise our vision of a fairer borough if we do not tackle inequality head on, together, throughout all that we do. Everyone in Islington must play their part to challenge the status quo and call out discrimination and injustice, however uncomfortable it may feel.

We work in partnership with our communities. If we are to challenge inequality we need to know and understand our residents, their lived experience, their thoughts, views and ideas for change. We need to work with our communities and local Voluntary and Community Sector as equal partners, building on their knowledge and connections as co-deliverers of sustainable change. This shift towards a 'community paradigm' where service users are seen as creative collaborators to solve complex problems rather than as customers or passive citizens is one we will continue to champion into the future.

We are committed to early intervention and prevention. The evidence is clear that early intervention and prevention is the most effective way to improve outcomes for people at all ages. We must work with people and communities proactively, to uncover the story of their lives and wrap our services around them to help them achieve their goals. In doing so we will prioritise relationships and connections over processes and systems. We cannot underestimate the power of making connections, both between residents and their communities, and between services to make sure that the resident experience is seamless.

We embrace change and innovation. As we look to the future beyond the pandemic, we cannot go back to old ways of working, but must embrace the opportunities that increased use of digital and flexible working have brought us. We must go further and develop our ability to collaborate, test new ideas and take risks, both as an organisation and as individuals. The last year has shown us that radical shifts in behaviour at work and in the community are possible and we must exploit this as an opportunity to drive Islington forwards. We will do this by using cutting edge technology and developing our collective appetite for innovation.

We are driven by delivering impact for residents. Above all, our fundamental focus should always be on improving outcomes for our residents and this should shape the way we approach all aspects of our work. We need to make better use of data coupled with effective engagement and participation to understand the problems we are trying to solve and should also be able to demonstrate the impact our services have had on improving the lives of our residents. We will adopt agile principles to shift mind sets towards action, observing impact and results, over lengthy business cases.

Islington Council performance and priorities

Islington Council has a number of corporate objectives, which are set out below under the Directorates responsible. The achievement of these are measured through corporate performance indicators. The impact of COVID-19 has resulted in a number of services either pausing or changing delivery approach since lockdown. In some cases, this has impacted the performance the council has been able to achieve. The council's performance against some of the key performance indicators is outlined below.

Adult Social Services

- Support people to lead healthy lives
- Safeguard and protect older and vulnerable residents
- Help residents to live independently
- Help residents to feel socially active and connected to their community

Achievements

- Direct payments support people to have greater choice, independence and control over their lives. We have seen an improvement in direct payment performance, with 29% of service users receiving services in the community through direct payments (target of 30%).
- Hospital discharges have remained high throughout the pandemic. Adult social care teams have supported significantly more hospital discharges this year compared to pre-pandemic levels
- Comprehensive review, re-design and recommissioning of our mental health accommodation pathway and our Carer's Hub. To improve access, enhance opportunity for autonomy, reduce length of stay in acute inpatient mental health settings and reduce out of area placements, improving maximisation of independence and quality of life. The offer proposed will enable carers to be supported throughout and beyond the time of their caring role, responding to their multiple needs whether these be financial, social, emotional, psychological or physical.

Challenges

- In the past year, Adult Social Care has seen an increase in hospital discharges, safeguarding concerns and complex cases. The change in demand due to the pandemic has affected the overall number of new admissions to care homes. This year there were 199 new admissions to care homes, above the target of 159.
- In August 2021 an audit of safeguarding practice identified a need for improvement in both processes and practice. This led to a significant investment of time and effort into quality assurance panels, revised guidance and support for staff. Two follow up audits were completed by internal audit and a recent review by Care and Health Improvement Programme indicated significant improvement in quality and timeliness.
- Nationally the domiciliary home care market, specifically its workforce, has been significantly impacted by the COVID-19 pandemic and rising cost of living, resulting in shortage of workforce and overall reduced capacity. We have seen some similar trends locally but to a far less extent, as we have mitigated the impact with our commitment to London Living Wage, fairer contracts. As well as close alliance with I-Work as part of the Health and Social Care Academy providing a local recruitment portal, attracting new people into the workforce and ensuring they can develop the necessary skills

Children's Services

- Always keep children and young people safe and secure and reduce the number of children growing up in poverty
- Make sure young children get the best start
- Ensure our schools are places where all young people can learn and thrive
- Make sure fewer young people are victims or perpetrators of crime

Achievements

- 72% take up of 2 year old Funded Early Education Entitlement places by low income families, children with Special Educational Needs or Disabilities (SEND) or who are looked after, which was 6% points above the target based on the Inner London average (KPI joint with Fairer Together).
- 97.3% (target: 96.8% or higher) of Islington school leavers had an offer of a suitable place to continue in education or training by the end of September 2021. This exceeds the London (96.6%), South East (93.2%) and National (95.5%) position.
- Youth Justice Service measures all represented an improvement when compared to 2019/20 (2020/21 was affected by lockdown restrictions so 2019/20 is a better comparison statistically) – these include first time entrants into youth justice system at 45 (61 in 2019/20), percentage of repeat young offenders under 18 at 20% (37% in 19/20) and the Youth Justice Board sub-measure at 26.3% (30.8% in 19/20). The number of custodial sentences imposed for young offenders was also lower at 4 compared to 7 in 19/20.

Challenges

- Rising numbers of Looked After Children – The provisional figure of 389 in Q4 is above the agreed ambition of 357. There has been a marked increase since October 2021, peaking at 397 in February 2022. This is due to the large numbers of children that became Looked After in 2 months in Q3 and 4, which included a substantial increase in Unaccompanied Asylum-Seeking Children.
- Secondary school persistent absence figure of 18.6% for 2020/21 academic year is above the Inner London target of 13.8%. Persistent absence was higher after the summer term than it was at the end of the Spring term. Persistent absence rates in two secondary schools were better than the Inner London average. However, persistent absence rates rose above 20% in half of Islington's secondary school making this an ongoing top priority. This is driving a revised and strengthened multi agency approach.
- Suspensions - Data for 2020/21 shows fixed period exclusions have reduced for many schools, but there were substantial increases at a small number of schools that pushed up the average, particularly amongst the secondary schools.

Community Wealth Building

- Reduce levels of long-term unemployment and worklessness
- Help residents get the skills they need to secure a good job
- Ensure Development is well planned
- Promoting an inclusive economy

- Provide practical support to help residents cope with the cost of living

Achievements

- Over 2,000 local residents supported into paid jobs in 2021/22 – far surpassing the target of 1,000 and a remarkable achievement in the light of the economic impacts of the pandemic.
- Over £5million additional income secured per annum for low income households, due to targeted work undertaken by our Income Maximisation Team to help residents claim the benefits they are entitled to. Key campaigns included Pension Credit and Disability Benefits.
- 92 residents supported into apprenticeships through local employers and council contractors, well above the target of 50.

Challenges

Faced challenges in encouraging residents back into face-to-face learning following the pandemic, exemplified by:

- 900 enrolments so far this year for our Adult Community Learning courses (target: 1,600);
- 208 enrolments so far of learners with a disability or long-term health condition (target:360)
- 745 enrolments of learners from Black, Asian and Minority Ethnic communities (target: 1,232).

Environment

- Keep the streets clean and promote recycling
- Make it easier and safer for people to travel through the borough and beyond
- Take positive action to combat climate change through reducing our carbon emissions
- Make sure residents have access to high quality parks, leisure facilities and cultural opportunities

Achievements

- Installed 401 secure cycle parking facilities over the last four years, with space for over 2,400 bikes
- Reduced council carbon emissions from operational buildings by 50% over 20/21
- Reduced average monthly missed waste collections to 262, a 9% reduction on 20/21

Challenges

- Fell 64 short of the 400 target for EVCPs
- Household recycling at Q3 was 29.3% against the 32% target.
- Post Covid, getting Leisure visits back up over 2 million a year

Fairer Together

- Make sure young children get the best start
- Keep children safe and secure
- Help residents to feel socially active and connected to their community
- Continuing to be a well-run council

- Harnessing technology for benefit of residents and staff / help residents to live independently

Achievements

- We exceeded our target for the Supporting Families programme: achieving 502 families against a target of 459 by the end of Q3
- Made good progress on delivery of the Challenging Inequality Programme. The programme sets out what we are doing to tackle inequality in our capacity as an employer, strategic leader, and service provider/ commissioner. We were recognised for our good work winning the GG2 Leadership and Diversity Award for Local Government and are shortlisted as a finalist for the LGC Diversity and Inclusion award.
- Re-opening 222 Upper Street front of house on 25 April 2022
- Held staff development sessions to drive up excellence in commissioning

Challenges

- Bright Start registrations: data shows that the proportion of under 1s registered with Bright 2Start is currently 34.3% and the proportion of 1-2YOs registered with Bright Start is 47.3%, compared with 67.4% of the 0-4s population. This demonstrates the impact of the pandemic on our ability to reach families over the past two years. Increasing registration and engagement in particular with the most vulnerable is now a key focus for the early childhood partnership.
- Tackling inequality is an ongoing endeavour. Whilst we have made good progress, we realise there is still a lot to do.
- Resourcing of staff for We Are Islington and Track and Trace whilst continuing to deliver business as usual services

Homes and Neighbourhoods

- Increase the supply and choice of genuinely affordable homes
- Ensure effective management of council housing
- Prevent homelessness and support rough sleepers
- Make sure fewer young people are victims or perpetrators of crime

Achievements

- 4.5% (target: 4.7%) rent arrears as a proportion of the rent roll - LBI
- 88.5% (target: 85%) LBI repairs fixed first time
- 46 (target: 27) high-risk victims successfully exiting the Community MARAC

Challenges

- 10 (target: 95) genuinely affordable new homes completed by the council
- 5.4% (target: 4.9%) PFI rent arrears
- 403 (target: 365) households in nightly booked temporary accommodation.

Public Health

- Support people to live healthy lives

Achievements

- Smoking remains the single largest cause of early, preventable deaths in Islington. During 2021/22, between 57% - 62% (target 50%) smokers using Stop Smoking Services have successfully quit each quarter (measured at 4 weeks after quit rate).
- By Q3, 1,395 Long-Acting Reversible Contraception (LARC) prescriptions had been provided by local integrated sexual health services already exceeding the annual target of 1,110, despite being deeply affected by Covid-19 restrictions
- At the start of 2021/22, 11 child health clinics were being delivered weekly and by Q3 all 13 clinics were being delivered, matching pre-pandemic levels.

Challenges

- Between 12.5% - 13.8% (target 20%) of drug users each quarter completed treatment and did not represent in 6 months.
- Between 33.1% - 37% (target 42%) of alcohol users successfully completed treatment by Q3. During the pandemic the service reported an increase in demand for alcohol interventions, with a number of previous service users reporting not being able to manage recovery during the lockdown and have subsequently begun drinking once more.
- Population vaccination coverage MMR2 (measles, mumps and rubella) (Age 5) achieved a range of 68-70% by the end of Q3, close to the pre-pandemic plateau of around 70%.

Resources

- Manage our budget effectively and efficiently
- Harness digital technology for the benefits of residents and staff
- Make sure our workforce is diverse, highly skilled and highly motivated
- Be open and accountable

Achievements

- Ended the year with a provisional net General Fund position of £3.205m underspend (target: +/- £1m)
- 26% (target 22%) Black, Asian and Minority Ethnic staff within the top 5% of earners
- 8% (target 6%) disabled staff within top 5% of earners

Challenges

- 93.6% (target 96.7%) of Business Rates collected in-year
- 94.1% (target 95.3%) of Council Tax collected in-year
- 82% (target 90%) of Freedom of Information Requests processed within target (20 working days)

Staffing

Headcount at end of March 2022

The latest available council's employee headcount (March 2022) is 4,773, an increase of 44 people in the last year. The gender, disability and ethnicity breakdown for Islington staff is as follows:

| Staff Breakdown by Gender | |
|---------------------------|-----|
| Female | 53% |
| Male | 47% |

| Staff Breakdown by Disability | |
|-------------------------------|-----|
| No | 48% |
| Not Stated | 43% |
| Yes | 9% |

| Staff Breakdown by Ethnicity | |
|----------------------------------|-----|
| White | 51% |
| Black, Asian and Minority Ethnic | 42% |
| Not Stated | 7% |

Key Risks

We continue to see further stabilisation in risk scores as the impact of Covid-19 is no longer as acute and as unpredictable as in the previous year. The council has articulated 28 Principal Risks as at May 2022. Despite six Principal Risks reducing in overall risk score since the previous year, the council is still operating in a heightened risk environment, with 24 risks scored above the agreed target score (86%). A key factor in our external risk environment is the situation in Ukraine which has exacerbated already rising energy prices.

Key risk themes are currently presenting as follows:

- **Inflation** – a sharp increase in inflation, primarily driven by rising fuel and energy costs, is pushing up the cost of living. Inflation is a factor in most risk areas, most notably Financial Resilience of Residents and the New Homes Programme with increasing cost of construction materials putting pressure on contractors to deliver within budget. Increased financial pressure on families could lead to a rise in Youth Crime and Domestic Violence Abuse;
- **Financial Resilience of the Council** – the medium-term financial outlook for local government remains highly uncertain. Local authorities continue to receive annual funding settlements which restricts future planning. There are also potential government funding reforms on the horizon that could have a significant impact on council funding. The main financial risks identified include Financial Stability and Resilience and Volatility in the Energy Market;
- **Recruitment Market** – a challenging recruitment market is affecting the council's, and its providers', ability to resource specialist staff, for example in IT, social care and construction sectors. The council is working with specialist agencies to attract staff resource.

Specific risks on the risk register are summarised in the table below.

| No. | Risk | Comments |
|-----|---|---|
| 1. | Financial Stability and Resilience | The council is forecasting a net balanced budget position in 2021/22 and has recently set a balanced budget for 2022/23, The 2022/23 budget includes some provision for inflation being high over the medium term. The risk trend is therefore assessed as stable for the next 12 months. There is however a significant budget gap to close over the medium-term outlook to 2025/26. |
| 2. | Volatility of energy market cause budget pressures for the council, schools and residents | An unpredictable fuel and energy market has given rise to significant risk to the council's energy purchasing. The forward trend is assessed as increasing as uncertainty is expected to remain high until the end of the war in Ukraine. |
| 3. | Declining financial resilience of residents | Global uncertainty is adding to an already difficult financial outlook and the cost-of-living crisis is likely to remain over the next few years. This will present challenges for residents to remain financially resilient, a significant proportion of whom already face long-term income deprivation. The risk trend is therefore assessed as increasing over the next 12 months. The council will continue to target support to our most vulnerable households through the Community Financial Resilience function and associated support. |
| 4. | Covid-19 Outbreak Control | Many national mechanisms to manage Covid-19 outbreaks were removed by end of March 2022. Resources for the council's public health response has been tapered down but could be stepped up again if required. Local support to vulnerable settings is being maintained. Although the next 12-18 months is still a period of substantial uncertainty, the risk trend is assessed as stable as overall risk exposure has reduced. |
| 5. | Cyber and Data Security Breach | The external risk continues to increase, and this is balanced by our continuous work to improve cyber resilience, including staff awareness and training. The situation in Ukraine is expected to lead to a further increase in malicious cyber activity and therefore the risk trend is assessed as increasing over the next 12 months. |
| 6. | Diversity and Inclusion | The programme of work to address diversity and inclusion is progressing well and integrated with the wider Challenging Inequality Programme. |
| 7. | Increased incidents of youth crime and serious youth violence impact on the council's ability to respond adequately | The overall risk profile has reduced in the last year based on the decreasing trend in incidents of serious youth violence, the progress made so far on the Youth Safety Strategy, the funding increase for the service, and the council's new youth offer. External factors for this risk remain challenging but the risk trend is assessed as stable due to the council's ability to respond. |

| No. | Risk | Comments |
|-----|--|---|
| 8. | Failure to address and challenge social inequalities | Covid-19 and the current cost of living crisis have deepened inequalities and we are working on addressing this through the Challenging Inequalities programme and the Inequality Taskforce. Whilst there have been some positive shifts in the last 12 months, our approach is still developing, and the risk trend is assessed as increasing due to the challenging external context. |
| 9. | Serious information breach or non-compliance with legislation | The Information Governance Team has strengthened collaboration with Information Asset Owners to embed the devolved accountability model. The risk trend has stabilised following the EU's decision on the adequacy of UK's data protection legislation following EU Exit. |
| 10. | Social care market instability cause provider failure or withdrawal | Over the last twelve months, providers have been supported financially through recruitment and retention grants which has supported their sustainability and ability to flex to meet additional responses that COVID has required. Increase in cost of energy, London Living Wage and inflation may increase provider instability and costs to the council and there is therefore an increasing risk trend for the next twelve months. |
| 11. | Safeguarding Adults- Failure to identify or respond to preventable harm | A new quality assurance process had been developed for all packages of care and placement decisions, which is being embedded over the next few months. The risk trend remains stable. |
| 12. | Not achieving the declared net zero carbon target (by 2030) | The net zero carbon programme is progressing well, with eight delivery work streams, each headed by a service director and supplemented with work stream leads. The first annual report on progress against the Net Zero Strategy is due in June 2022. Risk trend continues to be stable. |
| 13. | Commissioning, procurement and contract management operating model fails to maximise value for money and social value outcomes | The progressive procurement strategy has established a clear direction and priorities, focused on in-house delivery and social value. However, the underpinning operating model is fragmented and insufficiently robust, risking the delivery of key strategic outcomes as well as generating value for money and compliance risks and issues. A corporate review of the operating model is being mobilised and will deliver a strengthened approach during 22/23 and there is a stable outlook for the next 12 months. |
| 14. | Health and Social Care Integration -Insufficient capacity and resource to meet need | The Health & Social Care Integration White Paper published in February 2022. However, uncertainty about funding and how the model will work in practice remains and the risk trend remains increasing. |

| No. | Risk | Comments |
|-----|---|--|
| 15. | Non-Recent Child Abuse – Failure to deliver support payment scheme | The support payment scheme was formally agreed by Executive in October 2021 and under development, including the establishing of performance arrangements and financial monitoring. The risk trend remains stable. |
| 16. | Serious Health & Safety incident in housing (Including Fire Safety) | The Fire Safety Act 2021 is coming into force in October 2022 and the council is working on delivering an action plan to ensure compliance with the new requirements, as well as the upcoming Building Safety Act. Risk trend remains stable. |
| 17. | Serious H&S Incident (Occupational) | Covid-19 risk has reduced and incorporated into business-as-usual precautions in the workplace for all infectious diseases. The council is reviewing Health & Safety leadership and governance to strengthen the service. Risk trend remains stable with ongoing mitigation and monitoring in place. |
| 18. | Safeguarding Children – Safeguarding practice and provision for children and young people are ineffective | The complexity of need has increased overall, and the impact of Covid-19 has increased pressures on families. There are also pressures in the recruitment market. Despite this, staffing has consistently been at a level where we are able to respond appropriately to safeguarding concerns. Overall, this risk has reduced since the service returned to face-to-face contact when Covid-restrictions were removed. |
| 19. | Capital Programme slippage and/or delivery failure | The Capital Programme has an expected spend over 3 years of £539 million. It has grown significantly and therefore slippage and delivery risks are increasingly material. New capital governance arrangements were introduced in 2020 and these will be refreshed during 22/23 including closer alignment between financial and programme monitoring. The risk trend remains stable. |
| 20. | Failure to respond to increase in domestic violence abuse | The expected spike in cases due to lockdown in 2021 did not materialise, but there has been a steady increase in safeguarding referrals over the year, many which have an element of domestic violence. The trend has stabilised as the council is well-resourced in this area and has capacity to respond to increase in cases. |
| 21. | Well managed workforce to deliver corporate priorities | HR policies and procedures have been reviewed and simplified to support management of this risk. Key actions are due to be completed in 2022 which will reduce the risk when embedded. The risk trend is therefore assessed as improving. |
| 22. | New Homes Programme delivery | The acute supply chain disruptions due to Covid-19 have reduced although some unpredictability remains. The council is working closely with contactors to monitor their supply chain risk management and the risk trend remains stable. |

| No. | Risk | Comments |
|-----|--|--|
| 23. | Effective IT Transformation and Resilience | A number of IT projects are reaching completion in summer 2022 which will improve resilience. The risk trend is assessed as stable over the next 12 months. |
| 24. | Change Programme Delivery | Monthly Transformation Board meetings ensure a continuous focus on strategy, accountability and impact of key strategic programmes. The risk trend remains stable. |
| 25. | Pupil attainment gap - Systemic failure to promote attendance and quality provision and interventions | Schools have continued the National Catch-up programme to support vulnerable pupils. Secondary schools have been issued guidance on GCSE and A level requirements for assessments in June 2022. In February 2022, new guidance was issued in line with the removing of national restrictions. A new strategy is being put in place to reduce covid impact on attainment and the risk trend remains stable. |
| 26. | Failure to effectively respond and recover from critical incident as a service (organisational preparedness, resilience and business continuity) | Islington has stepped down its emergency command structure for the Covid-19 response. The Emergency Planning Team is reviewing business contingency plans for services as well as developing bespoke plans for specific incident types. As the service has moved away from Covid-19 response and back to business as usual, the risk trend is assessed as stabilised. |
| 27. | School viability and place planning - Failure to implement a coherent strategy for managing the demand of school places impact the pattern of provision and schools' viability | Individual school balances have been in decline since 2019 caused by falling rolls, combined with increasing SEND and increasing cost pressures such as rising energy costs. A school organisation plan for 2022-2025 is in development and the outlook for the next 12 months is assessed as stable. |
| 28. | Serious fraudulent activity | The risk level remains unchanged from the previous year. However, the risk trend has stabilised as the expected increase in fraud emanating from Covid grants did not materialise. |

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

The council's designated Chief Financial Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the council's financial affairs.

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

In preparing these Statements of Accounts, the CFO has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code.

The CFO has also:

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

I certify that the Draft Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2022 and of its income and expenditure for the year then ended.



David Hodgkinson
Corporate Director of Resources
30 September 2022

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

| Movement in Reserves 2021/22 | General Fund £'000 | Earmarked General Fund Reserves £'000 | Housing Revenue Account £'000 | Earmarked HRA Reserves £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | Total Usable Reserves £'000 | Unusable Reserves £'000 | Total Authority Reserves £'000 |
|--|-----------------------|--|----------------------------------|---------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|----------------------------|-----------------------------------|
| Balance at 31 March 2021 carried forward | 26,773 | 140,451 | 17,521 | 91,508 | 19,101 | 5,271 | 2,971 | 303,596 | 3,080,660 | 3,384,256 |
| Movement in reserves during 2021/22 | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (31,514) | - | 26,729 | - | - | - | - | (4,785) | 334,913 | 330,128 |
| Adjustments between accounting basis & funding basis under regulations (Note 13) | 45,441 | - | (60,000) | - | 22,925 | (1,070) | 7,797 | 15,093 | (15,093) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 13,927 | - | (33,271) | - | 22,925 | (1,070) | 7,797 | 10,308 | 319,820 | 330,128 |
| Transfers to/(from) Earmarked Reserves (Note 27) | (10,668) | 2,837 | 33,271 | (33,271) | - | - | 7,831 | - | - | - |
| Increase/(Decrease) in 2021/22 | 3,259 | 2,837 | - | (33,271) | 22,925 | (1,070) | 15,628 | 10,308 | 319,820 | 330,128 |
| Balance at 31 March 2022 carried forward | 30,032 | 143,288 | 17,521 | 58,237 | 42,026 | 4,201 | 18,599 | 313,904 | 3,400,480 | 3,714,384 |

The General Fund carried forward balance of £30,032k comprises of £21,718k General Fund balances and £8,314k of school reserves as shown in the expenditure and Funding analysis footnote (Note 11).

Unaudited Statement of Accounts 2021/22

| Movement in Reserves 2020/21 | General Fund | Earmarked General Fund Reserves | Housing Revenue Account | Earmarked HRA Reserves | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | Total Useable Reserves | Unusable Reserves | Total Authority Reserves |
|--|---------------------|--|--------------------------------|-------------------------------|---------------------------------|------------------------------|---------------------------------|-------------------------------|--------------------------|---------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2020 carried forward | 27,872 | 80,258 | 17,521 | 90,888 | 39,223 | 21,909 | 3,474 | 281,145 | 2,425,054 | 2,706,199 |
| Movement in reserves during 2020/21 | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 39,259 | - | 22,299 | - | - | - | - | 61,558 | 616,492 | 678,050 |
| Adjustments between accounting basis & funding basis under regulations (Note 13) | 19,835 | - | (21,679) | - | (20,122) | (16,638) | (503) | (39,107) | 39,107 | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 59,094 | - | 620 | - | (20,122) | (16,638) | (503) | 22,451 | 655,599 | 678,050 |
| Transfers to/(from) Earmarked Reserves (Note 27) | (60,193) | 60,193 | (620) | 620 | - | - | - | - | - | - |
| Increase/ (Decrease) in 2020/21 | (1,099) | 60,193 | - | 620 | (20,122) | (16,638) | (503) | 22,451 | 655,599 | 678,050 |
| Balance at 31 March 2021 carried forward | 26,773 | 140,451 | 17,521 | 91,508 | 19,101 | 5,271 | 2,971 | 303,596 | 3,080,660 | 3,384,256 |

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis (Note 11) and the Movement in Reserves Statement.

| 2020/21 Gross Expenditure £'000 | 2020/21 Gross Income £'000 | 2020/21 Net Expenditure £'000 | Comprehensive Income and Expenditure Statement | 2021/22 Gross Expenditure £'000 | 2021/22 Gross Income £'000 | 2021/22 Net Expenditure £'000 | Notes |
|--|-------------------------------------|--|--|--|-------------------------------------|--|-------|
| 121,309 | (46,907) | 74,402 | Adult Social Services | 129,014 | (52,392) | 76,622 | |
| 161,641 | (78,616) | 83,025 | Children Services (excluding Schools) | 146,650 | (53,492) | 93,158 | |
| 59,710 | (122,778) | (63,068) | Schools | 169,490 | (160,620) | 8,870 | |
| 79,391 | (54,773) | 24,618 | Environment | 91,799 | (71,155) | 20,644 | |
| 33,413 | (15,773) | 17,640 | Homes and Neighbourhoods | 33,648 | (17,984) | 15,664 | |
| 32,123 | (39,268) | (7,145) | Public Health | 34,273 | (33,839) | 434 | |
| 6,738 | (400) | 6,338 | Fairer Together | 7,871 | (842) | 7,029 | |
| 34,600 | (22,960) | 11,640 | Community Wealth Building | 42,965 | (26,536) | 16,429 | |
| 1,546 | (372) | 1,174 | Chief Executive | 2,268 | (318) | 1,950 | |
| 188,844 | (161,456) | 27,388 | Resources | 184,821 | (154,424) | 30,397 | |
| 22,638 | (9,948) | 12,690 | Corporate Items | 27,410 | (13,143) | 14,267 | |
| 192,760 | (224,503) | (31,743) | Housing Revenue Account (HRA) | 208,306 | (227,874) | (19,568) | |
| 934,713 | (777,754) | 156,959 | Net Cost of Services | 1,078,515 | (812,619) | 265,896 | |
| 27,425 | (11,402) | 16,023 | Other Operating expenditure | 16,688 | (28,042) | (11,354) | 14 |
| 60,102 | (6,265) | 53,837 | Financing and investment income and expenditure | 47,690 | (9,638) | 38,052 | 15 |
| 19 | (288,394) | (288,375) | Taxation and non-specific grant income | 1 | (287,810) | (287,809) | 16 |
| 1,022,260 | (1,083,815) | (61,556) | (Surplus) or Deficit on Provision of Services | 1,142,894 | (1,138,109) | 4,785 | |
| | | (656,357) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | (210,614) | 17 |
| | | 5 | (Surplus) or deficit from investments in equity instruments designated at fair value | | | (7) | 28 |
| | | 39,860 | Actuarial (gains) or losses on pension assets / liabilities | | | (124,292) | 28 |
| | | (616,492) | Other Comprehensive Income and Expenditure | | | (334,913) | |
| | | (678,048) | Total Comprehensive income and Expenditure | | | (330,128) | |

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

Balance Sheet

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

| 31 March 2021 £'000 | Balance Sheet | 31 March 2022 £'000 | Notes |
|------------------------|--|------------------------|-------|
| 4,773,583 | Property, Plant & Equipment | 5,019,138 | 17 |
| 487 | Heritage Assets | 487 | |
| 32,633 | Investment Property | 39,259 | 18 |
| 813 | Long Term Investments | 10,795 | 22 |
| 12,582 | Long Term Debtors & Prepayments | 6,724 | 25 |
| 4,820,098 | Total Long-Term Assets | 5,076,403 | |
| 152,097 | Short Term Investments | 95,661 | 22 |
| 281 | Short Term Assets Held for Sale | 476 | |
| 1,295 | Inventories | 1,205 | |
| 116,941 | Short Term Debtors | 107,147 | 25 |
| 6,889 | Cash and Cash Equivalents | 14,713 | 29 |
| 277,503 | Total Current Assets | 219,202 | |
| (184,948) | Short Term Creditors | (202,727) | 24 |
| (112,246) | Short Term Borrowing | (31,803) | 22 |
| - | Cash and Bank Overdrawn | - | 29 |
| (26,216) | Short Term Provisions | (27,341) | 26 |
| (34,175) | Short Term Grants Receipts in Advance | (39,666) | 37 |
| (357,586) | Total Current Liabilities | (301,537) | |
| (13,001) | Long Term Provisions | (12,154) | 26 |
| (263,275) | Long Term Borrowing | (245,604) | 22 |
| (973,521) | Liability Related to Defined Benefit Pensions Scheme | (916,793) | 35 |
| (82,988) | Other Long-Term Liabilities | (81,841) | 22 |
| (22,978) | Long Term Grants Receipts in Advance | (23,292) | 37 |
| (1,355,763) | Total Long-Term Liabilities | (1,279,684) | |
| 3,384,252 | Net Assets | 3,714,384 | |
| 303,595 | Usable Reserves | 313,904 | MIRS |
| 3,080,657 | Unusable Reserves | 3,400,480 | 28 |
| 3,384,252 | Total Reserves | 3,714,384 | |

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.

| 2020/21 £'000 | Cash Flow Statement | 2021/22 £'000 |
|------------------|---|------------------|
| 61,557 | Net surplus or (deficit) on the provision of services | (4,785) |
| 91,765 | Adjustments to the net surplus or deficit on the provision of services for non-cash movements | 165,057 |
| (29,378) | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | (59,338) |
| 123,944 | Net cash flows from Operating Activities (Note 30) | 100,934 |
| (109,972) | Investing Activities (Note 31) | (4,231) |
| (34,815) | Financing Activities (Note 32) | (88,879) |
| (20,843) | Net increase or (decrease) in cash and cash equivalents | 7,824 |
| 27,732 | Cash and Cash equivalents at the beginning of the reporting period | 6,889 |
| 6,889 | Cash and cash equivalents at the end of the reporting period (Note 29) | 14,713 |

Notes to the Accounts

1. Accounting Policies

i) General Principles

The Statement of Accounts summarises the council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2022. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require it to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract as per IFRS 15.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date the supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Charges to Revenue for Non-Current Assets

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

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

The council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual Minimum Revenue Provision (MRP) to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisations are therefore replaced way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

v. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the

amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, 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. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows

vi. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

- The NHS Pension Scheme, administered by NHS Pensions.

All schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees worked for the council.

However, the arrangements for the Teachers' scheme and NHS scheme mean that liabilities for these benefits cannot ordinarily be identified to the council. These schemes are therefore accounted for as if they were defined contributions schemes and no liability for future payments of benefits, other than those relating to discretionary pension benefits, is recognised in the Balance Sheet. Within the Comprehensive Income and Expenditure Statement, the Children's service line and Public Health service line respectively are charged with the employer's contributions payable to the schemes in the year.

The Local Government Pension Scheme

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

- The liabilities attributable to the service areas of both Islington Council and LPFA pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.8% (based on the indicative rate of return on high quality corporate bonds [Sterling Corporate Index, AA over 15 years]).

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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

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

- Service cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of the services for which the employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions (scheme amendment or curtailment) whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate items.
 - Net interest on the net defined benefit liability (i.e. net interest expense for the authority) – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account

any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Remeasurements comprising:
 - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Islington Council and LPFA pensions fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at

their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement the amount receivable for the year in the loan agreement.

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

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

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

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

Expected Credit Loss Model

The council recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair value through other comprehensive income (FVOCI)

This applies where cash flows are solely payments of principal and interest and the council's business model for managing the assets is to collect those cash flows and to sell the assets.

However, the council holds equity investments that would otherwise be accounted for under FVPL but has elected for these to be accounted for as fair value through other comprehensive income.

Financial assets that are measured at FVOCI are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

Financial Assets Measured at Fair Value through Profit or Loss

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

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

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

ix. Government Grants and Contributions

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

- the council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

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

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

x. Community Infrastructure Levy

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

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

xi. Interests in Companies and Other Entities

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

xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued 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.

xiii. Joint Operations

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

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

xiv. 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 non-current 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.

xv. 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 accrual basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred. Expenditure below £10,000 is treated as de minimis and charged to revenue unless it is on existing assets and increases the value of the asset or is part of a group of similar assets.

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

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

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

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

- Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Council offices – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV), except for a few offices that are situated close to the council's housing properties, where there is no market for office accommodation, and that are measured at depreciated replacement cost (instant build) as an estimate of current value.
- School buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- Vehicles, Plant and Equipment (VPE) – depreciated historic cost is used as a proxy for current value
- Community Assets and Assets under Construction – Depreciated historical cost.
- Infrastructure – depreciated historical cost basis. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV)

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

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

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for in the following way:

- 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 charges commence in the year following acquisition or construction.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the valuer
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the asset as advised by a suitably qualified officer
- Infrastructure – Straight-line allocation over the average useful life of the network as estimated by the Highways Engineer.

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. Components which are integral part of the host asset are held under the same asset class as the host.

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

Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as Capital Receipts. A proportion of receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the council's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Assets under Construction

Where works will result in an asset but the works are not completed by the end of the financial year and the asset is not yet in operational use, 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.

xvi. 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 as 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 non-current assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets (capital investment). Where the council agrees to make up front capital contributions (to reduce the annual payment over the duration of the agreement), they are used to reduce the liability.

The non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as other non-current assets owned by the council.

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

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

xvii. 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 are 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.

xviii. Reserves

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

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

xix. 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.

xx. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT, where VAT collected is payable to HM Revenue and Customs and VAT paid is recoverable from them. Where VAT is not recoverable it is included as an expense.

xxi. Overheads and Support Services

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

xxii. Schools

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

xxiii. Fair Value Measurement of Non-Financial Assets

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

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the council

takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

2. Accounting Standards Issued, But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code. The following new standards and amendments to existing standards have been published and will be adopted in 2022/23:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
 - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
 - IAS 37 (Onerous contracts) – clarifies the intention of the standard
 - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (Amendment).

None of the above are expected to have a significant effect on the financial statements of the council.

3. Critical Judgements in Applying Accounting Policies

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

- The council wholly owns a trading vehicle, Islington Limited (ICo), which falls within the council's group boundary due to control and significant influence. ICo provides a number of services such as memorials to the public, out of borough trade waste and pest control services. Its gross turnover (2020/21) was £0.755m, and it had gross assets and liabilities of £1.006m and £0.957m respectively. None of its income was from the council however it paid £0.592m (of total spend £0.802m – 74%) to the council for services. ICo is not consolidated into the council's group accounts on grounds of materiality.
- PFI Accounting: The council has deemed 6 PFI / Service Concession schemes as on-balance sheet and the value of the assets used to deliver these schemes and the outstanding liability are shown on the council's balance sheet.

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

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

The items in the council's Balance Sheet as at 31 March 2022 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 £79m. A further sensitivity analysis is provided in Note 35.

Asset Valuations

The council's Property Plant and Equipment (PPE) are held on a long-term basis and require regular valuation to ensure the council's financial statements accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals (note 17) to provide up to date assessments using accepted valuation bases and methods.

In the 2021/22 financial year 99.9% of the council's operational property assets were subject to an inspection and full valuation, which has minimised the uncertainty around potential impairment of assets that are not subject to valuation. A movement of 1% in PPE valuations would result in a change in asset value of c£47m and a change in depreciation charge c£0.4m in the CIES.

The largest item of PPE held by the council is Council Dwellings. The Housing Revenue Account (Accounting Practices) Direction 2007 requires authorities to use the specific bases and methods of

valuation set out in the Guidance on Stock Valuation for Resource Accounting Guidance for 2016 (published by the Ministry of Housing, Communities and Local Government (MHCLG)). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties. An adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. The adjustment is used to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.

A 1 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £142m, and if the value of dwellings were to reduce by 1% this would lead to a reduction in value of about £35m.

5. Significant Agency Income and Expenditure

The council is a member of the Adopt London North (ALN) which is a specialist Regional Adoption Agency (RAA). It is a partnership between the London Boroughs of Barnet, Camden, Enfield, Hackney, Haringey and Islington. ALN provides a shared adoption service to all six partner local authorities and commenced operation on 2 October 2019.

The aim of Regional Adoption Agencies (RAA) is to improve practice, processes, and outcomes for children, from more efficient recruitment of adopters, faster matches and improved post-adoption support, to reduced costs.

The London Borough of Islington is the host authority for the Adopt London North, Regional Adoption Agency partnership.

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

| Adopt London North 2021/22 | | | | | | | |
|----------------------------|--------------------------------|------------------------------|-------------------------------|------------------------------|-----------------------------|-----------------------------|---------------------|
| Gross Expenditure | Islington Council Contribution | Hackney Council Contribution | Haringey Council Contribution | Enfield Council Contribution | Camden Council Contribution | Barnet Council Contribution | Total Contributions |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 3,525 | (567) | (604) | (694) | (449) | (444) | (768) | (3,525) |

6. 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 2021/22, eight pooled funds were in operation and their purpose is explained below.

- 1) Learning Disability Services Pooled Fund: to improve the services received by vulnerable people in the community by integrating the service delivery and commissioning arrangements between health and social care.
- 2) Intermediate Care Pooled Fund: to reduce delayed transfers of care at the Whittington Hospital through the development and improvement of Intermediate Care Services, better acute hospital processes and joint monitoring of progress.
- 3) Integrated Community Equipment Services Pooled Fund: to integrate community equipment stock with no distinction between NHS and Social Services equipment; provide access to the stock by many more Assessors, appropriately trained, leading to one stop provision; and establish a purchasing regime that makes full use of technology, purchasing power and efficiency.
- 4) Mental Health Commissioning Adult Mental Health Care Pooled Fund: to improve the services received by people with mental health care needs in the community by integrating the service delivery and commissioning arrangements between health and social care.
- 5) Carers Pooled Fund: to improve the services and increase support given to people who act as independent carers by integrating the service delivery between health and social care. This is intended to improve the access to information and advice for carers, develop and train carers in their caring role to better meet their individual needs, as well as the people for whom they care for.
- 6) Mental Health Care of Older People (MHCOP) Pooled Fund: to improve the services received by older people with mental health care needs who require residential services by integrating the service delivery and commissioning arrangements between health and social care.
- 7) Mental Health Care Trust Pooled Fund: to integrate the provision of health and social services for people with mental health needs in Islington. The fund will cover the provision of services

for the following Client Groups: Adult MH Services Client group, Mental Healthcare of Older People Client group and Substance Misuse Services Client group.

- 8) Better Care Fund: to drive the transformation of local services to ensure that people receive better and more integrated care and support. The aims and outcomes are the development of a locality offer; enhancing primary care capacity; to meet demographic pressures in social care; and to incentivise providers to support integrated care.

Islington Council is the host party for arrangements 1) – 6) and Camden & Islington NHS Foundation Trust is the host party for arrangement 7). The Better Care Fund is hosted by Islington Clinical Commissioning Group for arrangement 8).

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

| Pooled Budgets 2021/22 | 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 | 39,781 | (32,617) | (7,164) | - | - | (39,781) |
| Intermediate Care Pooled Fund | 6,619 | (2,713) | (3,906) | - | - | (6,619) |
| Integrated Community Equipment Services Pooled Fund | 1,992 | (656) | (886) | - | (450) | (1,992) |
| Mental Health Commissioning Adult Mental Health Care | 5,035 | (2,701) | (2,334) | - | - | (5,035) |
| Carers Pooled Fund | 953 | (858) | (95) | - | - | (953) |
| MHCOP Pooled Fund | 7,470 | (3,910) | (3,560) | - | - | (7,470) |
| Mental Health Care Trust Pooled Fund | 14,945 | (2,807) | - | (12,138) | - | (14,945) |
| Better Care Fund | 34,570 | (16,016) | (18,554) | - | - | (34,570) |
| Totals | 111,365 | (62,278) | (36,499) | (12,138) | (450) | (111,365) |

| Pooled Budgets 2020/21 | 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 | 40,296 | (33,459) | (6,837) | - | - | (40,296) |
| Intermediate Care Pooled Fund | 6,932 | (2,257) | (4,675) | - | - | (6,932) |
| Integrated Community Equipment Services Pooled Fund | 1,876 | (1,308) | - | - | (568) | (1,876) |
| Mental Health Commissioning Adult Mental Health Care | 5,004 | (2,716) | (2,288) | - | - | (5,004) |
| Carers Pooled Fund | 943 | (848) | (95) | - | - | (943) |
| MHCOP Pooled Fund | 7,399 | (3,938) | (3,461) | - | - | (7,399) |
| Mental Health Care Trust Pooled Fund | 14,527 | (2,813) | - | (11,714) | - | (14,527) |
| Better Care Fund | 34,545 | (16,015) | (18,530) | - | - | (34,545) |
| Totals | 111,522 | (63,354) | (35,886) | (11,714) | (568) | (111,522) |

7. Members' Allowances

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

| 2020/21 £'000 | Members' Allowances | 2021/22 £'000 |
|------------------|----------------------------------|------------------|
| 540 | Basic Allowance | 535 |
| 389 | Special Responsibility Allowance | 398 |
| 3 | Other Allowances | 5 |
| 932 | Total | 938 |

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

8. Officers' Remuneration

Senior officers' remuneration

The tables below show senior officers' remuneration in 2021/22 and 2020/21.

| Senior officers' remuneration for 2021/22 | Salary (Including fees & allowances) | Other Payments | Election Expenses | Total Remuneration excluding pension contributions | Employers Pension contributions | Total Remuneration including pension contributions |
|--|---|----------------|-------------------|--|---------------------------------|--|
| Post | £ | £ | £ | £ | £ | £ |
| Chief Executive - L Roberts-Egan | 192,939 | - | 9,217 | 202,156 | 28,169 | 230,325 |
| Corporate Director of Resources - D Hodgkinson | 151,362 | - | 540 | 151,902 | 22,099 | 174,001 |
| Corporate Director of Environment | 143,604 | - | 539 | 144,143 | 20,966 | 165,109 |
| Head of Communications & Change | 88,209 | 55,819 | - | 144,028 | 12,879 | 156,907 |
| Corporate Director of Homes & Neighbourhoods | 135,486 | - | 539 | 136,025 | 19,781 | 155,806 |
| Director of Public Health (i) | 117,624 | - | - | 117,624 | 16,914 | 134,538 |
| Corporate Director of Community Wealth Building (ii) | 103,292 | - | - | 103,292 | 15,081 | 118,373 |
| Corporate Director of Fairer Together (iii) | 100,710 | - | - | 100,710 | 14,731 | 115,441 |
| Director of Adult Social Services (iv) | 64,293 | - | - | 64,293 | 9,389 | 73,682 |
| Corporate Director of People - C Littleton (v) | 49,041 | - | - | 49,041 | 5,581 | 54,622 |
| Total | 1,146,560 | 55,819 | 10,835 | 1,213,214 | 165,590 | 1,378,804 |

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

(ii) The Corporate Director of Community Wealth Building was in from June 2021, the annualised salary was £132,804. Amount displayed reflects the period they reported to the Chief Executive.

(iii) The Corporate Director of Fairer Together was in post from June 2021, annualised salary was £132,804. Amount displayed reflects the period they reported to the Chief Executive.

(iv) The Director of Adult Social Care was in post from September 2021, the annualised salary was £114,018. Amount displayed reflects the period they reported to the Chief Executive.

(v) The Corporate Director of People was in post from April 2021 until July 2021, annualised salary was £154,305. Amount displayed reflects the period they reported to the Chief Executive.

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| Senior officers' remuneration for 2020/21 | Salary (Including fees & allowances) | Other Payments | Other Emoluments | Total Remuneration excluding pension contributions | Employers Pension contributions | Total Remuneration including pension contributions |
|---|--------------------------------------|----------------|------------------|--|---------------------------------|--|
| Post | £ | £ | £ | £ | £ | £ |
| Chief Executive - L Roberts-Egan | 190,088 | - | - | 190,088 | 27,753 | 217,840 |
| Corporate Director of People - C Littleton | 154,615 | - | - | 154,615 | 22,574 | 177,189 |
| Corporate Director of Environment & Regeneration | 141,480 | - | - | 141,480 | 20,656 | 162,136 |
| Corporate Director of Resources (i) | 141,251 | - | - | 141,251 | 20,623 | 161,873 |
| Headteacher (Elizabeth Garrett Anderson) - J Dibb | 160,959 | - | - | 160,959 | - | 160,959 |
| Corporate Director of Housing | 133,482 | - | - | 133,482 | 19,488 | 152,970 |
| Head of Communications & Change | 78,509 | - | - | 78,509 | 11,594 | 90,103 |
| Director of Public Health (ii) | 69,780 | - | - | 69,780 | 11,343 | 81,122 |
| Deputy Director of Public Health (iii) | 47,683 | - | - | 47,683 | 7,730 | 55,414 |
| Director of Service Finance - Acting Section 151 Officer (iv) | 10,477 | - | - | 10,477 | 1,314 | 11,791 |
| Total | 1,128,323 | - | - | 1,128,323 | 143,075 | 1,271,398 |

(i) Corporate Director of Resources – Section 151 Officer from end of April 2020, annualised salary was £149,121.

(ii) The post of Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Director of Public Health until October 2020, annualised salary was £119,622. Amount displayed reflects the period they reported to the Chief Executive.

(iii) The post of Deputy Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Deputy Director of Public Health reported to Chief Executive from October 2020, annualised salary was £117,624. Amount displayed reflects the period they reported to the Chief Executive.

(iv) Director of Service Finance - Acting Section 151 Officer until end of April 2020, amounts displayed reflects the period they reported to the Chief Executive.

| Senior officers' remuneration (Interim) for 2021/2022 | Total Cost to the Council £ |
|---|-----------------------------|
| Interim Director of People (i) | 203,550 |
| Interim Programme Director - Localities (ii) | 49,875 |
| Interim Director of Corporate Transformation (iii) | 53,049 |

i) Interim Director of People from May 2021.

ii) Interim Programme Director - Localities until June 2021.

iii) Interim Director of Corporate Transformation until June 2021.

The total cost to the council is the amount paid to the agency for the interim post holder and does not necessarily represent the remuneration which the interim post holder received.

| Senior officers' remuneration (Interim) for 2020/2021 | Total Cost to the Council £ |
|---|-----------------------------|
| Interim Programme Director - Localities (i) | 123,375 |
| Interim Director of Corporate Transformation (ii) | 199,238 |

i) Interim Programme Director - Localities.

ii) Interim Director of Corporate Transformation.

The total cost to the council in the above tables is the amount paid to the agency for the interim post holder and does not necessarily represent the remuneration which the interim post holder received.

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

Remuneration bands above £50k

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

| Remuneration Band | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
|---------------------|-----------------|-----------------|-----------------|-----------------|
| | Schools | Schools | Other | Other |
| | No of employees | No of employees | No of employees | No of employees |
| £50,000 - £54,999 | 111 | 103 | 223 | 239 |
| £55,000 - £59,999 | 53 | 48 | 146 | 163 |
| £60,000 - £64,999 | 45 | 38 | 77 | 107 |
| £65,000 - £69,999 | 16 | 8 | 41 | 59 |
| £70,000 - £74,999 | 10 | 15 | 25 | 30 |
| £75,000 - £79,999 | 22 | 16 | 13 | 26 |
| £80,000 - £84,999 | 7 | 9 | 13 | 10 |
| £85,000 - £89,999 | 3 | 4 | 9 | 11 |
| £90,000 - £94,999 | 4 | 1 | 15 | 10 |
| £95,000 - £99,999 | 4 | 5 | 2 | 3 |
| £100,000 - £104,999 | 2 | 4 | 1 | 3 |
| £105,000 - £109,999 | 1 | - | 6 | 5 |
| £110,000 - £114,999 | 2 | 2 | 1 | 6 |
| £115,000 - £119,999 | 1 | 1 | 1 | 5 |
| £120,000 - £124,999 | 1 | - | 5 | 4 |
| £125,000 - £129,999 | - | - | - | 2 |
| £130,000 - £134,999 | - | - | - | - |
| £135,000 - £139,999 | - | - | - | - |
| £140,000 - £144,999 | - | - | - | 1 |
| £145,000 - £149,999 | - | - | - | - |
| over £150,000 | - | - | - | - |
| Total | 282 | 254 | 578 | 684 |

Remuneration disclosures are stipulated by legislation only to include staff where the authority is the employer. In the case of voluntary aided and foundation schools, the authority is not the employer.

Termination Benefits

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

| Exit Package cost band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|--|-----------------------------------|----------|-----------------------------------|-----------|--|-----------|--|--------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| | | | | | | | £'000 | £'000 |
| £0 - £20,000 | 4 | - | 17 | 29 | 21 | 29 | 150 | 246 |
| £20,001 - £40,000 | 3 | - | 8 | 4 | 11 | 4 | 349 | 114 |
| £40,001 - £60,000 | 2 | 1 | 5 | 1 | 7 | 2 | 339 | 97 |
| £60,001 - £80,000 | - | - | - | 2 | - | 2 | - | 143 |
| £80,001 - £100,000 | - | - | 2 | 2 | 2 | 2 | 181 | 196 |
| £100,001 - £150,000 | - | 1 | 2 | 2 | 2 | 3 | 219 | 401 |
| Over £150,000 | - | 2 | 2 | - | 2 | 2 | 536 | 583 |
| Total | 9 | 4 | 36 | 40 | 45 | 44 | 1,774 | 1,780 |
| Other costs associated with termination benefits | | | | | | | 1 | 88 |
| Total termination benefits | | | | | | | 1,775 | 1,868 |

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

The £88k other costs associated with termination benefits in 2021/22 relate to additional costs incurred relating to 2020/21 accruals estimates.

9. Material transactions with related parties

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

UK Central Government

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

Grants received from government departments in 2021/22 and grant balances held in receipts in advance are shown in Note 37.

Members / Officers

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

This disclosure note has been prepared using declarations of interest completed by members and senior officers. Details of each member's declaration can be viewed on the council's website.

There are a number of organisations which are independent from the council but have an impact on its service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees, boards and forums that are responsible for them. Details of these appointments are available on the council's website.

They are included in the table below.

| Related Parties | | Income 2021/22 | Expenditure 2021/22 | Amounts owed (by)/to Islington Council 31 March 2022 |
|---|---|-------------------|------------------------|--|
| Organisation Members/Senior officers | Nature of Relationship | £'000 | £'000 | £'000 |
| Voluntary organisations, charities and community groups | Seventeen members, one senior officer and one member's family member are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council | 148 | 1,194 | 14 |
| Housing Associations | One member and one close relative of a member is involved in the management of a housing association which transacts with Islington Council. | 16 | 12,958 | 650 |
| Universities, Colleges & Schools | Three members and two senior officers are involved in the management of universities, colleges or schools which transact with Islington Council | 951 | 5,556 | 305 |
| Other Public Bodies | | | | |
| NHS organisations | Five members and one senior officer are involved in the management of NHS organisations which transact with the council. Note 7 shows the transactions and balances relating to partnerships with local NHS bodies under Section 75 of the National Health Service Act 2006 (Pooled Budgets). | 41,643 | 23,143 | 13,466 |
| Local authorities - Camden Council and City of London Corporation | Islington Council transacts with other local authorities. Camden Council and City of London Corporation are the main authorities that Islington Council transacts with. | 6,086 | 4,011 | 3,231 |
| North London Waste Authority | Two members are board members of this organisation. | 1,622 | 7,890 | 1,529 |
| Other Public Bodies | Twelve members and one senior officer hold positions of influence in public organisations which transact with Islington Council | 37 | 85 | (1) |
| Entities Controlled or Influenced by the Authority | | | | |
| Transform Islington | Transform Islington has a number of design, build, finance and operate contracts with LBI lasting 25 years. LBI holds a 10% shareholder rights in Transform Islington. | - | 14,862 | (380) |
| Angel BID Ltd and the Bee Farringdon & Clerkenwell BID | One member sits on the boards of the Business Improvement Districts in Angel and Farringdon & Clerkenwell. Islington Council facilitates the collection of the BID levy annually on behalf of the two BIDs. The BID levy is not included in this table. | 247 | 773 | 89 |
| Lee Valley Regional Park Authority | One member is a board member for this organisation. Islington Council partly funds this organisation through a levy on the council tax. | - | 156 | - |

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| Related Parties | | Income 2021/22 | Expenditure 2021/22 | Amounts owed (by)/to Islington Council 31 March 2022 |
|--------------------------------|---|-------------------|------------------------|--|
| Organisation | Nature of Relationship | £'000 | £'000 | £'000 |
| Subsidiaries | Islington Ltd is a wholly owned subsidiary of the council. Three senior officers are on the board of this organisation. | 532 | 28 | 1,343 |
| Other Related Parties | | | | |
| Islington Council Pension Fund | As administrator of the pension fund, the council has direct control of the fund. The related party figures shown here differ from those reported in the Pension Fund financial statements due to timing differences. | 1,343 | 5,410 | (369) |

10. Fees payable to the Appointed Auditor

In 2021/22, Islington Council incurred the following fees relating to external audit:

| 2020/21 £'000 | Fees Payable to the Appointed Auditor | 2021/22 £'000 |
|-------------------------------|--|------------------|
| Audit Services | | |
| 285 | Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year | 252 |
| Audit Related Services | | |
| 30 | Fees payable to the appointed auditor for the certification of grant claims and returns for the year | 41 |
| Non-Audit Services | | |
| 10 | Fees payable in respect of non-audit services provided by the appointed auditor during the year | - |

* 2020/21 has been restated to reflect an additional fee in relation to the external audit of the Statement of Accounts for 2020/21 by the council's External Auditors Grant Thornton (UK) LLP. The additional fee of £53,421 in addition to the previously estimated total takes the cost for 2020/21 to £285,000 (£128,821 over the PSAA Scale Fee) and has been approved by Public Sector Audit Appointments Limited (PSAA).

11. Expenditure and Funding Analysis

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

| Expenditure and Funding Analysis | | | | | | |
|---|--|---|---|---|--|---|
| 2020/21 | 2020/21 | 2020/21 | | 2021/22 | 2021/22 | 2021/22 |
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 73,025 | 1,377 | 74,402 | Adult Social Services | 72,792 | 3,830 | 76,622 |
| 79,726 | 3,298 | 83,025 | Children (excluding Schools) | 83,144 | 10,014 | 93,158 |
| 1,128 | (64,196) | (63,068) | Schools | (3,920) | 12,790 | 8,870 |
| 10,554 | 14,064 | 24,618 | Environment | (5,607) | 26,251 | 20,644 |
| 4,370 | 13,270 | 17,640 | Homes and Neighbourhoods | 3,758 | 11,906 | 15,664 |
| (7,515) | 369 | (7,146) | Public Health | (221) | 655 | 434 |
| 5,522 | 816 | 6,338 | Fairer Together | 6,047 | 982 | 7,029 |
| 11,089 | 551 | 11,640 | Community Wealth Building | 12,728 | 3,701 | 16,429 |
| 892 | 282 | 1,174 | Chief Executive | 1,514 | 436 | 1,950 |
| 23,950 | 3,438 | 27,388 | Resources | 25,424 | 4,973 | 30,397 |
| (261,831) | 274,520 | 12,688 | Corporate Items | (209,584) | 223,851 | 14,267 |
| (621) | (31,122) | (31,743) | Housing Revenue Account | 33,271 | (52,839) | (19,568) |
| (59,711) | 216,667 | 156,956 | Net Cost of Services | 19,346 | 246,550 | 265,896 |
| - | (218,513) | (218,513) | Other Income and Expenditure | - | (261,111) | (261,111) |
| (59,711) | (1,846) | (61,557) | (Surplus) or Deficit | 19,346 | (14,561) | 4,785 |
| (216,539) | | | Opening General Fund and HRA Balance | (276,250) | | |
| (59,711) | | | Less Deficit on General Fund and HRA Balance in Year | 19,346 | | |
| | | | Transfer from General Fund Earmarked Reserves to Capital Grants unapplied | 7,829 | | |
| (276,250) | | | Closing General Fund and HRA Balance | (249,078) | | |
| 31 Mar 20 | 31 Mar 21 | 31 Mar 21 | General Fund and HRA Balances | 31 Mar 21 | 31 Mar 22 | 31 Mar 22 |
| (16,664) | - | (16,664) | General Fund Balance | (16,664) | (5,054) | (21,718) |
| (80,258) | (60,193) | (140,451) | General Fund Earmarked Reserves | (140,451) | (2,837) | (143,288) |
| (11,208) | 1,099 | (10,109) | Schools | (10,109) | 1,795 | (8,314) |
| (17,521) | - | (17,521) | HRA Balance | (17,521) | - | (17,521) |
| (90,888) | (620) | (91,508) | HRA Earmarked Reserves | (91,508) | 33,271 | (58,237) |
| (216,539) | (59,714) | (276,253) | Total | (276,253) | 27,175 | (249,078) |

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

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement | Adjustments for Capital Purposes £'000 | Adjustments for Pensions £'000 | Adjustments between accounting policies for reporting £'000 | Other Adjustments £'000 | Total Adjustments £'000 |
|---|---|-----------------------------------|--|----------------------------|----------------------------|
| Adult Social Services | 472 | 3,380 | - | (21) | 3,831 |
| Children (excluding Schools) | 517 | 9,536 | - | (38) | 10,015 |
| Schools | 5,676 | 7,686 | - | (573) | 12,789 |
| Environment and Climate Change | 18,865 | 7,587 | - | (201) | 26,251 |
| Homes and Neighbourhoods | 10,985 | 940 | - | (19) | 11,906 |
| Public Health | - | 669 | - | (13) | 656 |
| Fairer Together | - | 980 | - | 2 | 982 |
| Community Wealth Building | 502 | 3,278 | - | (79) | 3,701 |
| Chief Executive | - | 447 | - | (12) | 435 |
| Resources | - | 5,026 | - | (53) | 4,973 |
| Corporate | (35,077) | 11,637 | 253,949 | (6,658) | 223,851 |
| Housing Revenue Account | (34,908) | 7,410 | 7,162 | (32,503) | (52,839) |
| Net Cost of Services | (32,968) | 58,576 | 261,111 | (40,168) | 246,551 |
| Other Income and Expenditure | - | - | (261,111) | - | (261,111) |
| (Surplus) or Deficit | (32,968) | 58,576 | - | (40,168) | (14,560) |

Adjustments for Capital Purposes

This column includes the following adjustments:

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

- Adjustment in respect of revenue expenditure funded from capital under statute. The underlying revenue nature of the expenditure means that it will be debited to the Comprehensive Income and Expenditure Statement as it is incurred, but if the council applies the statutory provision to treat the expenditure as capital, it is reversed out of the Comprehensive Income and Expenditure Statement

Pensions Adjustments

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

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

Adjustments between accounting policies for internal management and financial reporting

Adjustments to reclassify items which the Code dictates must sit outside Cost of Services in the Comprehensive Income and Expenditure Statement, but which are reported and managed internally under Corporate Services and the HRA. Notes 14, 15 and 16 provide a breakdown of the items that sit outside Cost of Services.

Other Adjustments

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

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

12. Expenditure and Income Analysed By Nature

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

| 2020/21 £'000 | Expenditure and Income Analysed by Nature | 2021/22 £'000 |
|--------------------|--|--------------------|
| Expenditure | | |
| 391,733 | Employee expenses | 421,190 |
| 579,883 | Other service expenses | 587,244 |
| 56,586 | Depreciation | 58,209 |
| (79,760) | Revaluation (Gains) / Losses & Impairments | 16,908 |
| 46,391 | Interest expenses | 42,598 |
| 8,080 | Precepts & levies | 7,718 |
| 3,720 | Payments to the government Housing Capital Receipts Pool | 3,781 |
| 15,626 | Disposal of assets | 5,246 |
| 1,022,259 | Total Expenditure | 1,142,894 |
| Income | | |
| (327,813) | Fees, charges and other service income | (369,429) |
| (1,323) | Interest and investment income | (884) |
| (11,402) | Proceeds from the sale of assets | (28,042) |
| (165,155) | Income from council tax and non-domestic rates | (172,463) |
| (578,123) | Government grants and contributions | (567,291) |
| (1,083,816) | Total Income | (1,138,108) |
| (61,557) | (Surplus) or Deficit on the Provision of Services | 4,785 |

13. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

| 2021/22 Adjustments between Account Basis and Funding Basis under Regulations | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|--------------------------|--|---|--------------------------------------|---|---|
| | General Fund £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments primarily involving the Capital Adjustment Account | | | | | | |
| Charges for depreciation and impairment of non-current assets | (25,834) | (32,375) | - | - | - | 58,209 |
| Revaluation gains / losses on Property Plant and Equipment | (234) | (16,674) | - | - | - | 16,908 |
| Impairment of Property Plant and Equipment | - | - | - | - | - | - |
| Movement in the fair value of Investment Properties | 6,600 | 50 | - | - | - | (6,650) |
| Capital grants and contributions applied | 6,975 | 18,359 | - | - | - | (25,334) |
| Revenue expenditure funded from capital under statute | (13,047) | (10) | - | - | - | 13,057 |
| 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) | (4,980) | - | - | - | 4,983 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Statutory provision for financing of capital investment | 3,222 | - | - | - | - | (3,222) |
| Repayment of lease / PFI liabilities | 2,560 | 9,786 | - | - | - | (12,346) |
| Capital expenditure charged against the General Fund and HRA | - | 46,604 | - | - | - | (46,604) |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | 8,080 | - | - | - | (8,080) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 283 | (283) |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 13,783 | 14,260 | (28,043) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 962 | - | - | (962) |
| Use of capital receipts to fund disposal costs | (263) | (111) | 374 | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool | (3,781) | - | 3,781 | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | - | - | - | - | - |

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| 2021/22 | Usable Reserves | | | | | Movement in Unusable Reserves £'000 |
|--|-----------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--|
| | General Fund £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments between Account Basis and Funding Basis under Regulations | | | | | | |
| Adjustments primarily involving the Deferred Capital Receipts Reserve | | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Adjustment primarily involving the Major Repairs Reserve | | | | | | |
| Transfer of Depreciation to the Major Repairs Reserve | - | 32,374 | - | (32,374) | - | - |
| Additional Contributions from the HRA | - | - | - | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 33,443 | - | (33,443) |
| Adjustment primarily involving the Financial Instruments Adjustment Account | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - |
| Adjustments primarily involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (87,634) | (12,789) | - | - | - | 100,423 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 36,468 | 5,380 | - | - | - | (41,848) |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | | |
| Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements | 6,660 | - | - | - | - | (6,660) |
| Adjustment primarily involving the Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1,007 | 128 | - | - | - | (1,135) |
| Total Adjustments | (45,441) | 60,002 | (22,926) | 1,069 | (7,797) | 15,093 |

Unaudited Statement of Accounts 2021/22

| 2020/21 | Usable Reserves | | | | | Movement in Unusable Reserves |
|--|-----------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|-------------------------------|
| Adjustments between Account Basis and Funding Basis under Regulations | General Fund £'000 | Housing Revenue Account £'000 | Capital Receipts Reserve £'000 | Major Repairs Reserve £'000 | Capital Grants Unapplied £'000 | £'000 |
| Adjustments primarily involving the Capital Adjustment Account | | | | | | |
| Charges for depreciation and impairment of non-current assets | (27,112) | (29,474) | - | - | - | 56,586 |
| Revaluation gains / losses on Property Plant and Equipment | 85,354 | (5,594) | - | - | - | (79,760) |
| Impairment of Property Plant and Equipment | - | - | - | - | - | - |
| Movement in the fair value of Investment Properties | (3,369) | (75) | - | - | - | 3,444 |
| Capital grants and contributions applied | 8,636 | 7,048 | - | - | - | (15,684) |
| Revenue expenditure funded from capital under statute | (8,756) | - | - | - | - | 8,756 |
| 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 | (9,872) | (5,691) | - | - | - | 15,563 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement | | | | | | |
| Statutory provision for financing of capital investment | 2,463 | - | - | - | - | (2,463) |
| Repayment of lease / PFI liabilities | 2,453 | 11,851 | - | - | - | (14,304) |
| Capital expenditure charged against the General Fund and HRA | 2,882 | 8,424 | - | - | - | (11,306) |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 503 | (503) |
| Adjustments primarily involving the Capital Receipts Reserve | | | | | | |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 618 | 10,785 | (11,403) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 27,641 | - | - | (27,641) |
| Use of capital receipts to fund disposal costs | (63) | (101) | 164 | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool | (3,719) | - | 3,719 | - | - | - |

| 2020/21 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 | |
| Adjustment primarily involving the Major Repairs Reserve | | | | | | |
| Transfer of Depreciation to the Major Repairs Reserve | - | 29,473 | - | (29,473) | - | - |
| Additional Contributions from the HRA | - | - | - | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 46,110 | - | (46,110) |
| Adjustments primarily involving the Pensions Reserve | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (70,219) | (9,689) | - | - | - | 79,908 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 34,759 | 5,029 | - | - | - | (39,788) |
| Adjustments primarily involving the Collection Fund Adjustment Account | | | | | | |
| Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements | (32,010) | - | - | - | - | 32,010 |
| Adjustment primarily involving the Accumulated Absences Account | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (1,881) | (304) | - | - | - | 2,185 |
| Total Adjustments | (19,836) | 21,682 | 20,121 | 16,637 | 503 | (39,107) |

14. Other Operating Expenditure

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

| 2020/21 Gross Expenditure £'000 | 2020/21 Gross Income £'000 | 2020/21 Net Expenditure £'000 | Other Operating Expenditure | 2021/22 Gross Expenditure £'000 | 2021/22 Gross Income £'000 | 2021/22 Net Expenditure £'000 |
|--|-------------------------------------|--|--|--|-------------------------------------|--|
| 8,079 | - | 8,079 | Levies | 7,717 | - | 7,717 |
| 3,720 | - | 3,720 | Payments to the Government Housing Capital Receipts Pool | 3,782 | - | 3,782 |
| 15,626 | (11,402) | 4,224 | Gains/Loss on the disposal of non-current assets | 5,189 | (28,042) | (22,853) |
| 27,425 | (11,402) | 16,023 | Total | 16,688 | (28,042) | (11,354) |

15. Financing and Investment Income and Expenditure

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

| 2020/21 Gross Expenditure £'000 | 2020/21 Gross Income £'000 | 2020/21 Net Expenditure £'000 | Financing and Investment Income and Expenditure | 2021/22 Gross Expenditure £'000 | 2021/22 Gross Income £'000 | 2021/22 Net Expenditure £'000 |
|--|-------------------------------------|--|---|--|-------------------------------------|--|
| 32,023 | - | 32,023 | Interest payable and similar charges | 26,626 | - | 26,626 |
| 20,858 | - | 20,858 | Net interest on the net defined benefit liability | 20,097 | - | 20,097 |
| - | (1,323) | (1,323) | Interest Receivable and similar Income | - | (884) | (884) |
| 7,221 | (4,942) | 2,279 | Income and expenditure in relation to investment properties and changes in the fair value | 910 | (8,754) | (7,844) |
| - | - | - | Gains/Loss on the disposal of investment properties | 57 | - | 57 |
| 60,102 | (6,265) | 53,837 | Total | 47,690 | (9,638) | 38,052 |

16. Taxation and Non-Specific Grant Income

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

| 2020/21 Gross Income £'000 | Taxation and Non-Specific Grant Income | 2021/22 Gross Income £'000 |
|----------------------------------|---|----------------------------------|
| (96,724) | Council Tax Income | (103,388) |
| (65,634) | Business Rates Income | (69,074) |
| (2,798) | Business Rates Top Up Grant | (2,798) |
| (24,459) | Revenue Support Grant | (24,590) |
| (85,161) | Non-Specific Grants | (56,641) |
| (274,776) | Taxation and Non-Specific Revenue Grant Income | (256,491) |
| (13,598) | Capital grants and contributions | (31,318) |
| (288,395) | Total | (287,809) |

17. Property, Plant and Equipment

| Movement in Property, Plant and Equipment - 2021/22 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|--|-------------------|--------------------------|--|------------------|----------------|---------------------------|-------------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | |
| As at 31 March 2021 | 3,330,468 | 1,213,300 | 39,863 | 14,627 | 193 | 75,247 | 4,673,698 | 415,070 |
| Additions | 54,502 | 6,449 | 2,409 | - | - | 44,662 | 108,022 | - |
| Depreciation written out to Gross amount on revaluation | (29,753) | (41,342) | - | - | - | - | (71,095) | (15,790) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 204,358 | 6,256 | - | - | - | - | 210,614 | 46,987 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (14,424) | (2,484) | - | - | - | - | (16,908) | 536 |
| Derecognition - Disposals | (4,614) | (68) | (4,582) | (2) | - | - | (9,266) | (241) |
| Derecognition - Other | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale and Investment Properties | (476) | - | - | - | - | (33) | (509) | - |
| Other movements in cost or valuation | 6,420 | 4,626 | 9,050 | - | - | (23,820) | (3,724) | - |
| As at 31 March 2022 | 3,546,481 | 1,186,737 | 46,740 | 14,625 | 193 | 96,056 | 4,890,832 | 446,562 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| As at 31 March 2021 | 1 | (29,415) | (20,630) | (81) | - | - | (50,125) | (7,822) |
| Depreciation charge | (29,797) | (12,293) | (3,715) | - | - | - | (45,805) | (8,511) |
| Depreciation written out to Gross amount on revaluation | 29,753 | 41,342 | - | - | - | - | 71,095 | 15,790 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | 44 | - | 4,576 | - | - | - | 4,620 | 5 |
| Derecognition - Other | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale and Investment Properties | - | - | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | - | - | - | - | - | - | - |
| As at 31 March 2022 | 1 | (366) | (19,769) | (81) | - | - | (20,215) | (538) |
| Net Book Value as at 31 March 2022 | 3,546,482 | 1,186,371 | 26,971 | 14,544 | 193 | 96,056 | 4,870,617 | 446,024 |

| Movement in Property, Plant and Equipment - 2020/21 | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture & Equipment | Community Assets | Surplus Assets | Assets Under Construction | Total Property, Plant and Equipment | PFI Assets Included in Property, Plant and Equipment |
|--|-------------------|--------------------------|--|------------------|----------------|---------------------------|-------------------------------------|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation | | | | | | | | |
| As at 31 March 2020 | 3,050,446 | 731,481 | 41,356 | 27,766 | 13 | 76,173 | 3,927,235 | 375,240 |
| Additions | 61,172 | 7,054 | 5,746 | - | - | 20,244 | 94,216 | 68 |
| Depreciation written out to Gross amount on revaluation | (26,633) | (25,311) | - | - | - | - | (51,944) | (8,602) |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 243,592 | 412,584 | - | - | 180 | - | 656,356 | 43,398 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (3,053) | 82,813 | - | - | - | - | 79,760 | 5,252 |
| Derecognition - Disposals | (8,491) | - | (7,239) | (13,025) | - | - | (28,755) | (171) |
| Derecognition - Other | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale and Investment Properties | (281) | - | - | - | - | (2,898) | (3,179) | (115) |
| Other movements in cost or valuation | 13,716 | 4,679 | - | (114) | - | (18,272) | 9 | - |
| As at 31 March 2021 | 3,330,468 | 1,213,300 | 39,863 | 14,627 | 193 | 75,247 | 4,673,698 | 415,070 |
| Accumulated Depreciation and Impairment | | | | | | | | |
| As at 31 March 2020 | (2,748) | (40,035) | (24,900) | (3,227) | - | - | (70,910) | (8,286) |
| Depreciation charge | (26,685) | (14,691) | (2,953) | - | - | - | (44,329) | (8,142) |
| Depreciation written out to Gross amount on revaluation | 26,633 | 25,311 | - | - | - | - | 51,944 | 8,602 |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | - | - | - | - | - | - | - | - |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | 2,801 | - | 7,223 | 3,169 | - | - | 13,193 | 4 |
| Derecognition - Other | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale and Investment Properties | - | - | - | - | - | - | - | - |
| Other movements in depreciation and impairment | - | - | - | (23) | - | - | (23) | - |
| As at 31 March 2021 | 1 | (29,415) | (20,630) | (81) | - | - | (50,125) | (7,822) |
| Net Book Value as at 31 March 2021 | 3,330,469 | 1,183,885 | 19,233 | 14,546 | 193 | 75,247 | 4,623,573 | 407,248 |

Infrastructure Assets

In accordance with the Temporary Relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

| Infrastructure Assets - Movement on Balances | Infrastructure Assets | PFI Assets Included in Infrastructure | Infrastructure Assets | PFI Assets Included in Infrastructure |
|--|-----------------------|---------------------------------------|-----------------------|---------------------------------------|
| | 2020/21 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2021/22 £'000 |
| Net Book Value (Modified Historical Cost) | | | | |
| As at 1 April | 155,904 | 7,016 | 150,011 | 6,313 |
| Additions | 6,350 | - | 7,190 | - |
| Derecognition | - | - | - | - |
| Depreciation | (12,234) | (702) | (12,404) | (702) |
| Impairment | - | - | - | - |
| Other movements in cost | (9) | - | 3,724 | - |
| Net Book Value at 31 March | 150,011 | 6,314 | 148,521 | 5,611 |

| | 2020/21 £'000 | 2021/22 £'000 |
|-------------------------|------------------|------------------|
| Infrastructure Assets | 150,011 | 148,521 |
| Other PPE Assets | 4,623,573 | 4,870,617 |
| Total PPE Assets | 4,773,584 | 5,019,138 |

Depreciation

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

- Council Dwellings – Useful Economic Lives (typically 45–50 years for buildings)
- Other Land and Buildings: Useful Economic lives (typically 20–70 years for buildings)
- Vehicles, Plant, Furniture & Equipment – Useful Economic lives (typically under 10 years)
- Infrastructure – 25 years

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Wilks, Heads and Eve LLP carried out valuations on behalf of the council in 2021/22 and assets were valued as at 31 March. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

| Revaluations | Council Dwellings | Other Land and Buildings | Vehicles, Plant, Furniture and Equipment | Infrastructure | Community Assets | Surplus Assets | Assets Under Construction | Total |
|--------------------------------|-------------------|--------------------------|--|----------------|------------------|----------------|---------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Carried at historical cost | - | - | 26,971 | 148,521 | 14,545 | - | 96,055 | 286,092 |
| Valued at fair value as at: | | | | | | | | |
| 31 March 2022 | 3,546,482 | 1,185,113 | - | - | - | 193 | - | 4,731,788 |
| 31 March 2021 | - | - | - | - | - | - | - | - |
| 31 March 2020 | - | 1,260 | - | - | - | - | - | 1,260 |
| Total Cost or Valuation | 3,546,482 | 1,186,373 | 26,971 | 148,521 | 14,545 | 193 | 96,055 | 5,019,140 |

Capital Commitments

As at 31 March 2022, the council had entered into a number of significant commitments (over £500k), for the construction or enhancement of property, plant and equipment in future years, budgeted to cost £90m. Similar commitments as at 31 March 2021 were £115m. The commitments are:

| 31 March 2021 £'000 | Capital Commitments | 31 March 2022 £'000 |
|-----------------------------|----------------------------|------------------------|
| Housing Commitments: | | |
| 103,157 | New Builds | 72,073 |
| 10,468 | Major Works | 17,771 |
| Other Commitments: | | |
| 1,030 | Environment & Regeneration | - |
| 114,655 | Total | 89,844 |

18. 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:

| 2020/21 £'000 | Investment Properties | 2021/22 £'000 |
|------------------|--|------------------|
| (2,030) | Rental income from investment property | (2,062) |
| 865 | Direct operating expenses arising from investment property | 868 |
| (1,165) | Net (gain)/loss | (1,194) |

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.

As landlord, the council has contractual obligations to repair and maintain the exterior/structure of the building for certain investment properties as a condition of the lease.

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

| 2020/21 £'000 | Movement in fair value of Investment Properties | 2021/22 £'000 |
|------------------|--|------------------|
| 33,178 | Balance at start of the year | 32,632 |
| | Disposals | (57) |
| (3,444) | Net gains/(losses) from fair value adjustments | 6,650 |
| 2,898 | Transfers (to)/from Property, Plant and Equipment | 33 |
| 32,632 | Balance at end of the year | 39,258 |

Fair value measurements

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

| Level 1 | Level 2 | Level 3 | Fair value as at 31 March 2021 | Fair Value Measurements | Level 1 | Level 2 | Level 3 | Fair value as at 31 March 2022 |
|---------|---------------|---------|--------------------------------|----------------------------------|---------|---------------|---------|--------------------------------|
| £'000 | £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 | £'000 |
| - | 32,633 | - | 32,633 | Investment Properties | | 39,259 | | 39,259 |
| - | 193 | - | 193 | Surplus assets | | 193 | | 193 |
| - | 281 | - | 281 | Assets Held for Sale | | 476 | | 476 |
| - | 33,107 | - | 33,107 | Fair value as at 31 March | - | 39,928 | - | 39,928 |

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

19. Leases

Council as Lessee

Finance Leases

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

| 31 March 2021 £'000 | Leased Assets | 31 March 2022 £'000 |
|------------------------|--|------------------------|
| 92,605 | Property, Plant and Equipment: - Other Land and Buildings | 89,218 |
| 2,257 | - Community Assets | 2,257 |
| 5,448 | Investment Properties | 6,023 |
| 100,310 | Total | 97,498 |

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 2021 £'000 | Minimum lease payments | 31 March 2022 £'000 |
|------------------------|--|------------------------|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| 3 | - Payable within one year | 3 |
| 368 | - Payable after one year | 365 |
| 893 | Finance costs payable in future years | 870 |
| 1,264 | Total minimum lease payments | 1,238 |

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

| Minimum Lease Payments | Finance Lease Liabilities | | Minimum Lease Payments | |
|---|----------------------------------|------------------------|-------------------------------|------------------------|
| | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 |
| Not later than one year | 3 | 3 | 26 | 26 |
| Later than one year and not later than five years | 13 | 14 | 106 | 107 |
| Later than five years | 355 | 351 | 1,132 | 1,105 |
| Total | 371 | 368 | 1,264 | 1,238 |

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 2021/22 contingent rents payable by the council in respect of finance leases totalled £0.37m (£0.37m in 2020/21).

Operating Leases

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

| 31 March 2021 £'000 | Operating Leases (Lessee) | 31 March 2022 £'000 |
|------------------------|---|------------------------|
| 850 | Not later than one year | 872 |
| 1,430 | Later than one year and not later than five years | 678 |
| 293 | Later than five years | 203 |
| 2,573 | Total | 1,753 |

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 2021 £'000 | Operating Leases (Lessor) | 31 March 2022 £'000 |
|------------------------|---|------------------------|
| 5,653 | Not later than one year | 4,799 |
| 25,737 | Later than one year and not later than five years | 32,075 |
| 24,258 | Later than five years | 19,513 |
| 55,648 | Total | 56,387 |

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2021/22 the contingent rent recognised was deemed immaterial.

20. Private Finance Initiative and Similar Contracts

Such arrangements typically involve a private sector entity (the operator) constructing or enhancing property used in the provision of a public service, and operating and maintaining that property for a specified period of time, in return for a series of payments over the period of the arrangement. A contract is determined to meet the definition of a service concession arrangement where the following two tests are met:

- (a) The local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price;
- (b) The local authority controls any significant residual interest in the property at the end of the term of the arrangement (typically through ownership or beneficial entitlement).

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

The amounts payable to the PFI operators each year are analysed into five elements, as shown in paragraph xvi of Note 1 (Accounting Policies).

The council has identified six schemes to be accounted for as service concession arrangements:

1. Housing PFI 1; a 30 year agreement, covering 2,348 dwellings, whereby the operator is required to achieve and subsequently maintain decent homes standard for the duration of the agreement. All tenants and leaseholders resident within the contracted stock retain the same rights as other council tenants. The council has agreed performance standards with the contractor, which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and housing management. There is no allowance for the contract to be renewed or extended at the end of the contract period. All assets will remain in the ownership of the council.
2. Housing PFI 2; a 16 year agreement, covering 4,124 dwellings, with similar conditions as above. The contract expires in July 2022 following a three-year programme of preparation. At the end of the reporting period all assets are in the ownership of the council and there are no outstanding payments due to the service provider.
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. There are currently over 11,600 street lighting units and over 4,200 items of illuminated street furniture. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the council. The council has agreed performance standards with the contractor which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and replacements. The council has rights to use the specified assets for and the assets can also be used by 3rd parties with the agreement of both the council and the PFI provider. The contract enables the PFI provider to allow advertising on specified assets. This is subject to agreement by the council with a revenue sharing arrangement in place.

4. BSF Phase I; design, build and facilities management of two schools over a 25 year term. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the council. The council determines what services are provided, to whom and at what price is charged to the service user. The project includes a comprehensive performance monitoring regime which consists of a number of KPI's that must be delivered on, also a market testing agreement is in place to ensure value for money over the course of the contract. There is no allowance for the contract to be renewed or extended at the end of the contract period.
5. BSF Phase 2; a 25 year old agreement, covering two schools, with similar conditions as above.
6. Care Homes; 30 year agreement for the design, build, maintenance, operation and financing of residential care homes. The contract transfers the responsibility for maintenance and associated risk to the provider and the ownership of assets remains with the council. The council determines what services are provided and to whom, as it controls 100% of the care home beds. The rate to be paid is determined by the contractually agreed rates and uplifts, and the contract does not enable the provider to generate third party income. There is no allowance for the contract to be renewed or extended at the end of the contract period.

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 | July 2022 | 380 |
| Care Homes | April 2003 | March 2030 | 133 |
| Schools (1) | July 2008 | Jan 2040 | 123 |
| Schools (2) | August 2012 | March 2038 | 102 |

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

| | Council Dwellings £ '000 | Other Land and Buildings £ '000 | Infra- structure £ '000 | Total £ '000 |
|--|--------------------------------|---------------------------------------|-------------------------------|-----------------|
| Net Book Value at 1 April 2020 | 293,490 | 73,462 | 7,015 | 373,968 |
| Additions | - | 68 | - | 68 |
| Depreciation & Impairment | (6,182) | (1,961) | (702) | (8,845) |
| Revaluation | 33,097 | 15,553 | - | 48,650 |
| Disposal | (168) | - | - | (168) |
| Other | (115) | - | - | (115) |
| Net Book Value at 31 March 2021 | 320,123 | 87,122 | 6,313 | 413,558 |
| Net Book Value at 1 April 2021 | 320,123 | 87,122 | 6,313 | 413,558 |
| Additions | - | - | - | - |
| Depreciation & Impairment | (6,746) | (1,765) | (702) | (9,213) |
| Revaluation | 43,581 | 3,941 | - | 47,522 |
| Disposal | (236) | - | - | (236) |
| Other | - | - | - | - |
| Net Book Value at 31 March 2022 | 356,722 | 89,298 | 5,611 | 451,631 |

Movement in liabilities resulting from PFI or similar contracts:

| | | | | |
|-------------------------------|-----------------|-----------------|----------------|------------------|
| Value at 1 April 2020 | (38,438) | (64,770) | (7,610) | (110,817) |
| New liability incurred | | | | |
| Repayments made in year | 11,850 | 2,625 | 669 | 15,144 |
| Value at 31 March 2021 | (26,588) | (62,145) | (6,941) | (95,674) |
| Value at 1 April 2021 | (26,588) | (62,145) | (6,941) | (95,674) |
| New liability incurred | | | | |
| Repayments made in year | 9,785 | 2,783 | 743 | 13,311 |
| Value at 31 March 2022 | (16,803) | (59,361) | (6,198) | (82,362) |

The projected payments under the agreements are as follows:

| Contracted payments due within: | | 1 year | 2-5 years | 6-10 years | 11-15 years | 16-20 years |
|--|-----------------|---------------|------------------|-------------------|--------------------|--------------------|
| | | <i>£ '000</i> | <i>£ '000</i> | <i>£ '000</i> | <i>£ '000</i> | <i>£ '000</i> |
| Care Homes | | | | | | |
| | Liability | 387 | 1,897 | 2,689 | | |
| | Interest | 386 | 1,198 | 406 | | |
| | Service Charges | 4,501 | 19,158 | 21,146 | | |
| Street Lighting | | | | | | |
| | Liability | 814 | 3,704 | 1,246 | | |
| | Interest | 551 | 1,407 | 128 | | |
| | Service Charges | 1,512 | 7,043 | 2,034 | | |
| Housing (1) | | | | | | |
| | Liability | 804 | 2,093 | 10,064 | 3,841 | |
| | Interest | 2,166 | 7,853 | 6,949 | 495 | |
| | Service Charges | 10,363 | 49,784 | 63,223 | 11,903 | |
| Housing (2) | | | | | | |
| | Liability | - | | | | |
| | Interest | - | | | | |
| | Service Charges | - | | | | |
| BSF Phase 1 | | | | | | |
| | Liability | 1,829 | 8,582 | 12,767 | 7,730 | |
| | Interest | 1,935 | 6,520 | 4,876 | 867 | |
| | Service Charges | 1,906 | 8,039 | 13,545 | 7,031 | |
| BSF Phase 2 | | | | | | |
| | Liability | 762 | 3,909 | 7,324 | 10,216 | 2,134 |
| | Interest | 2,289 | 8,364 | 7,972 | 4,049 | 201 |
| | Service Charges | 1,387 | 5,800 | 8,195 | 11,160 | 1,436 |

21. 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.

| 2020/21 £'000 | Capital Expenditure and Sources of Capital Financing | 2021/22 £'000 |
|---|--|------------------|
| 712,411 | Opening Capital Financing Requirement | 703,721 |
| Capital Investment | | |
| 100,566 | Property, Plant & Equipment | 115,213 |
| 8,757 | Investment Properties / REFCUS / Other | 13,057 |
| Sources of Finance | | |
| (27,641) | Usable Capital Receipts | (962) |
| (16,187) | Capital grants & Other contributions | (25,617) |
| (46,112) | Major Repairs Reserve | (33,445) |
| (11,306) | Capital expenditure charged in-year to revenue accounts | (46,604) |
| Debt Repayment | | |
| (2,463) | Statutory provision for the repayment of debt | (3,222) |
| (14,304) | Repayment of PFI / lease liabilities | (12,345) |
| 703,721 | Closing Capital Financing Requirement | 709,796 |
| Explanation of Movements in Year | | |
| 8,691 | (Increase)/ decrease in underlying need to borrow | (6,075) |
| 8,691 | (Increase)/ decrease in Capital Financing Requirement | (6,075) |

22. Financial Instruments

Financial Instruments - Classifications

The definition of a financial instrument is: 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'. Non-exchange transactions, such as those relating to taxes, benefits and government grants, do not give rise to financial instruments.

Financial Liabilities

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

The majority of the council's financial liabilities held during the year are measured at amortised cost and comprised:

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- cash and bank overdrawn
- finance leases detailed in Note 19
- Private Finance Initiative contracts detailed in Note 20
- trade payables for goods and services received

Financial Assets

A financial asset is a right to future economic benefits controlled by the council that is represented by cash, equity instruments or a contractual right to receive cash or other financial assets or a right to exchange financial assets and liabilities with another entity that is potentially favourable to the council. The financial assets held by the council during the year are accounted for under the following two classifications:

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

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

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

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

- minority equity investments in Transform Islington Limited

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

Balances on fixed term deposits as at 31 March 2022 that are shown under 'cash and cash equivalents' in the Balance Sheet represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the council's portfolio of investments disclosed below.

Financial Instruments - Balances

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

| Categories of Financial Instruments | Long-term | | Short-term | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 |
| Financial Assets | | | | |
| At amortised cost: | | | | |
| - Principal | 742 | 10,716 | 151,723 | 95,526 |
| - Accrued interest | - | - | 374 | 135 |
| - Loss allowance | (20) | (20) | - | - |
| At fair value through profit & loss: | | | | |
| - Equity investments elected FVOCI** | 92 | 99 | - | - |
| Total investments* | 814 | 10,795 | 152,097 | 95,661 |
| At amortised cost: | | | | |
| - Principal | - | - | 6,889 | 14,713 |
| Total Cash and Cash Equivalents | - | - | 6,889 | 14,713 |
| Loans and receivables: | | | | |
| - Trade receivables | 8,315 | 7,626 | 100,822 | 105,351 |
| - Loss allowance | (873) | (902) | (17,171) | (20,393) |
| Included in Debtors** | 7,442 | 6,724 | 83,650 | 84,958 |
| Total Financial Assets | 8,256 | 17,519 | 242,636 | 195,332 |

* The total short-term investments include £161k (2020-21: £397k) representing accrued interest and principal repayments due within 12 months on long-term investments.

** The debtors lines on the Balance Sheet include £22,189K (2020-21: £38,430k) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions

Unaudited Statement of Accounts 2021/22

| Categories of Financial Instruments | Long-term | | Short-term | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 31 March 2021 £'000 | 31 March 2022 £'000 | 31 March 2021 £'000 | 31 March 2022 £'000 |
| Financial Liabilities | | | | |
| <i>Loans at amortised cost:</i> | | | | |
| - Principal sum borrowed | 263,275 | 245,604 | 108,335 | 28,668 |
| - Accrued interest | - | - | 3,911 | 3,135 |
| Total borrowings * | 263,275 | 245,604 | 112,246 | 31,803 |
| <i>Loans at amortised cost:</i> | | | | |
| - Bank overdrawn | - | - | - | - |
| Total Cash Overdrawn | - | - | - | - |
| <i>Liabilities at amortised cost:</i> | | | | |
| - PFI and finance lease liabilities | 82,727 | 78,126 | 13,315 | 4,600 |
| - Other | - | - | - | - |
| Total Other Long & Short Term Liabilities | 82,727 | 78,126 | 13,315 | 4,600 |
| <i>Liabilities at amortised cost:</i> | | | | |
| - Trade payables | - | - | 35,908 | 49,157 |
| Included in Creditors** | - | - | 35,908 | 49,157 |
| Total Financial Liabilities | 346,002 | 323,730 | 161,469 | 85,560 |

* The total short-term borrowing includes £21,803k (2020-21: £37,246k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.

** The creditors lines on the Balance Sheet include £153,061k (2020-21: £148,597k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Soft Loans

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2021/22 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £49k, Cycle scheme loans £92k, gym membership loans £208k and home computer loans £755k. These loans are carried at nominal value in the Balance Sheet as they are due within ten months for the season ticket and gym membership loans, 12 months for the cycle scheme and two years for the computer schemes, thus the effect on the accounts is deemed to be immaterial. Similarly a 15 year loan for £100k to a charity is carried at nominal value in the Balance Sheet as it is deemed immaterial.

Equity instruments elected to fair value through other comprehensive income

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

| Equity Instruments at fair value through other comprehensive income | Fair Value | | Dividends | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 |
| | £'000 | £'000 | £'000 | £'000 |
| Islington Limited | - | - | - | - |
| Transform Islington Phase 1 Holdings Limited | - | - | - | 23 |
| Transform Islington Phase 2 Holdings Limited | - | - | 1 | 27 |
| Transform Islington Limited | 99 | 92 | - | 6 |
| Total | 99 | 92 | 1 | 56 |

Items of Income, Expense, Gains or Losses

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

| Income, Expense, Gains and Losses | Financial Liabilities | Financial Assets | | 2021/22 Total | 2020/21 Total |
|---|-----------------------|------------------|-----------------------------------|-----------------|-----------------|
| | Amortised Cost | Amortised Cost | Elected to Fair Value through OCI | | |
| | £'000 | £'000 | £'000 | | |
| Interest expense | (22,508) | - | - | (22,508) | (25,540) |
| Impairment losses | - | (4,125) | - | (4,125) | (6,491) |
| Interest payable and similar charges | (22,508) | (4,125) | - | (26,633) | (32,031) |
| Interest income | - | 760 | - | 760 | 1,256 |
| Dividend income | - | - | 124 | 124 | 66 |
| Impairment loss reversals | - | - | - | - | - |
| Interest and investment income | - | 760 | 124 | 884 | 1,322 |
| Net impact on surplus/deficit on provision of services | (22,508) | (3,365) | 124 | (25,749) | (30,709) |
| Gains on revaluation | - | - | 7 | 7 | (5) |
| Impact on other comprehensive income | - | - | 7 | 7 | (5) |
| Net Gain/(Loss) for the Year | (22,508) | (3,365) | 131 | (25,742) | (30,714) |

Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value.

For most assets, the fair value is taken from the market price. However, the fair values of the instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2022.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

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

Financial Liabilities

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

| Fair value comparison of financial liabilities | Fair Value Level | Balance Sheet | Fair Value | Balance Sheet | Fair Value |
|--|------------------|----------------|----------------|----------------|----------------|
| | | 31 March 2021 | 31 March 2021 | 31 March 2022 | 31 March 2022 |
| | | £'000 | £'000 | £'000 | £'000 |
| Financial liabilities held at amortised cost: | | | | | |
| Long-term loans and short-term from PWLB | 2 | 230,244 | 305,677 | 225,817 | 267,527 |
| Other long-term and short-term loans | 2 | 69,783 | 71,156 | 41,582 | 42,171 |
| Lease payables and PFI liabilities | 3 | 96,041 | 149,816 | 82,727 | 120,000 |
| Total | | 396,068 | 526,649 | 350,126 | 429,698 |
| Liabilities for which fair value is not disclosed * | | 111,403 | | 59,164 | |
| Total Financial Liabilities | | 507,471 | | 409,290 | |
| Recorded on balance sheet as: | | | | | |
| Short-term creditors | | 49,223 | | 53,757 | |
| Short-term borrowing | | 112,246 | | 31,803 | |
| Cash and bank overdrawn | | - | | - | |
| Long-term borrowing | | 263,275 | | 245,604 | |
| Other long-term liabilities | | 82,727 | | 78,126 | |
| Total Financial Liabilities | | 507,471 | | 409,290 | |

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

** The other long-term liabilities figure of £81,841k (2020-21 £82,988k) on the Balance sheet includes £130k (2020-21 £260k) council tax liability which is not a financial instrument balance hence excluded from the above table.

Financial Assets

The fair value for long-term investments held at amortised cost is higher than their balance sheet carrying amount because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

| Fair value comparison of financial assets | Fair Value Level | Balance Sheet | Fair Value | Balance Sheet | Fair Value |
|---|------------------|----------------|---------------|----------------|---------------|
| | | 31 March 2021 | 31 March 2021 | 31 March 2022 | 31 March 2022 |
| | | £000s | £000s | £000s | £000s |
| Financial assets held at fair value: | | | | | |
| Shares in unlisted companies | 3 | 92 | 92 | 99 | 99 |
| Financial assets held at amortised cost: | | | | | |
| Long-term loans to local authorities | 3 | - | - | 10,000 | 9,609 |
| Long-term loans to companies | 3 | 691 | 829 | 672 | 734 |
| TOTAL | | 783 | 921 | 10,771 | 10,442 |
| Assets for which fair value is not disclosed * | | 250,108 | | 202,079 | |
| TOTAL FINANCIAL ASSETS | | 250,891 | | 212,850 | |
| Recorded on balance sheet as: | | | | | |
| Long-term debtors | | 7,442 | | 6,724 | |
| Long-term investments | | 813 | | 10,794 | |
| Short-term debtors | | 83,650 | | 84,958 | |
| Short-term investments | | 152,097 | | 95,661 | |
| Cash and cash equivalents | | 6,889 | | 14,713 | |
| TOTAL FINANCIAL ASSETS | | 250,891 | | 212,850 | |

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

23. Nature and Extent of Risks Arising from Financial Instruments

The council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in August and September 2018 respectively.

In line with the Treasury Management Code, the council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

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

The main risks covered are:

- *Credit Risk*: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the council
- *Liquidity Risk*: The possibility that the council might not have the cash available to make contracted payments on time
- *Market Risk*: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices

Credit Risk

Treasury Investments

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

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a period of 6 months applies. No more than £30m in total can be invested for a period longer than one year.

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

| Credit Rating | 31 March 2022 | | 31 March 2021 | |
|--|--------------------|---------------------|--------------------|---------------------|
| | Long-term £'000 | Short-term £'000 | Long-term £'000 | Short-term £'000 |
| A2 | - | - | - | 15,000 |
| Unrated local authorities | 10,000 | 115,500 | - | 136,700 |
| Unrated private companies and other organisations (net of loss allowance) | 695 | 61 | 726 | 59 |
| Total | 10,695 | 115,561 | 726 | 151,759 |
| Credit risk not applicable * | 99 | - | 92 | - |
| Total Investments | 10,794 | 115,561 | 818 | 151,759 |

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A two-year delay in cash flows is assumed to arise in the event of default. At 31 March 2022, £21k of loss allowances related to treasury investments.

Trade Receivables

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

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

| Loss Allowances | Range of allowances set aside | 31 March 2021 | | 31 March 2022 | |
|----------------------------------|-------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | | Gross receivable £'000 | Loss allowance £'000 | Gross receivable £'000 | Loss allowance £'000 |
| Public Sector Debtors | | | | | |
| Other Public Sector Debtors | 0% - 100% | 43,963 | (2,571) | 42,224 | (990) |
| LBI Pension Fund | 0% | 1,615 | - | 1,446 | - |
| Non-Public Sector Debtors | | | | | |
| Residential & Domiciliary Care | 49% | 6,716 | (2,373) | 8,115 | (2,570) |
| Leaseholders: Major Works | 10.5% - 95% | 18,734 | (1,026) | 18,724 | (1,076) |
| Housing Rents | 0% - 95% | 14,895 | (8,319) | 15,469 | (9,318) |
| Other Non-Public Sector Debtors | 0% - 100% | 23,213 | (3,756) | 26,771 | (7,111) |
| Total | | 109,137 | (18,044) | 112,749 | (21,065) |

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

The authority does not generally allow credit for customers, such that £21m of the £48m balance is past 30 days from invoice date. The remaining £27m 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 2021 | 31 March 2022 |
|------------------------|---------------|---------------|
| | £'000 | £'000 |
| Less than three months | 28,869 | 34,247 |
| Three to six months | 3,272 | 3,381 |
| Six months to one year | 7,716 | 5,291 |
| More than one year | 2,797 | 5,175 |
| Total | 42,654 | 48,094 |

Loans, Financial Guarantees and Loan Commitments

In furtherance of the council's service objectives, it has lent money £50k to Islington Limited a fully owned subsidiary and £642k (including accrued interest) to three private companies responsible in managing schools under the BSF. All loans were issued at market rates.

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

| Risk exposure 31 March 2021 £'000 | Borrower | Exposure type | Risk exposure 31 March 2022 £'000 |
|---|--|-----------------------|---|
| 661 | Buildings Schools for the Future (BSF) private companies as listed below -Transform Islington Phase 1 Holdings Ltd -Transform Islington Phase 2 Holdings Ltd -Transform Islington Ltd | Loans at market rates | 642 |
| 50 | Islington Ltd (iCo) | Loans at market rates | 50 |
| 90 | Highbury Roundhouse Association Ltd | | 84 |
| 801 | Total | | 776 |

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

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

| Reconciliation of loss allowances | 12-month expected credit losses | Lifetime expected credit losses Simplified approach for receivables | Total loss allowance |
|--|------------------------------------|--|----------------------|
| | £000 | £000 | £000 |
| Opening allowance 1 April 2021 | (21) | (17,816) | (17,837) |
| Change in risk | - | 2,967 | 2,967 |
| Closing allowance 31 March 2022 | (21) | (14,849) | (14,870) |

Liquidity Risk

The council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 25% of the council's borrowing matures in any one financial year.

The maturity analysis of the financial instruments is as follows:

| Liquidity Risk | PWLB | | Local Authorities | | Other | | Total | |
|------------------------------|----------------|----------------|-------------------|---------------|---------------|---------------|----------------|----------------|
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Less than one year | 4,335 | 8,668 | 18,000 | 10,000 | 11,000 | 10,000 | 33,335 | 28,668 |
| Between one and two years | 8,668 | 13,062 | 10,000 | 10,000 | - | - | 18,668 | 23,062 |
| Between two and five years | 40,398 | 31,671 | 30,000 | 21,000 | - | - | 70,398 | 52,671 |
| Between five and ten years | 26,057 | 30,391 | - | - | - | - | 26,057 | 30,391 |
| Between ten and twenty years | 44,175 | 35,507 | - | - | - | - | 44,175 | 35,507 |
| More than twenty years | 103,976 | 103,976 | - | - | - | - | 103,976 | 103,976 |
| Total | 227,609 | 223,275 | 58,000 | 41,000 | 11,000 | 10,000 | 296,609 | 274,275 |
| Accrued Interest * | | | | | | | 3,911 | 3,135 |
| Trade creditors * | | | | | | | 35,908 | 49,157 |
| Cash Overdrawn * | | | | | | | - | - |
| Total Carrying Amount | | | | | | | 336,428 | 326,567 |

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

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

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

The council is exposed to risks arising from movements in interest rates. The Treasury Management and Investment Strategy aims to mitigate these risks by setting upper and lower limits on one year impact of a rise and fall in interest rates by 1%. As at 31 March 2022, the whole debt portfolio was held in fixed rate instruments.

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

| | £'000 |
|--|----------|
| Increase in interest payable on variable rate borrowings | n/a |
| Increase in interest receivable on variable rate investments | n/a |
| Increase in government grant receivable for financing costs | n/a |
| Impact on the Provision of Services (surplus/deficit) | n/a |
| Share of overall impact debited/credited to HRA | 764 |
| Decrease in fair value of fixed rate investments* | 0 |
| Impact on Other Comprehensive Income and Expenditure | 0 |
| Decrease in fair value of fixed rate borrowings/liabilities* | (29,507) |

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

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The council has insignificant investment in equity shares and therefore is not subject to material price risk (i.e. the risk that the council will suffer loss as a result of adverse movements in the price of financial instruments).

Foreign Exchange Risk

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

24. Short-term Creditors

| Restated | | |
|------------------------------------|---|----------------------|
| 31 March 2021 | | 31 March 2022 |
| | | Short-Term Creditors |
| £'000 | | £'000 |
| Public Sector Creditors | | |
| 63,941 | GLA/MHCLG: Council Tax and Business Rates | 58,764 |
| 4,653 | HMRC: Tax | 8,090 |
| 2,380 | DWP: Housing Benefit Subsidy | 2,504 |
| 1,047 | MHCLG: Pooling of Capital Receipts | 3,781 |
| 34,910 | Public Sector Receipts in Advance | 44,216 |
| 5,168 | Other Public Sector Creditors | 10,021 |
| 112,099 | Total Public Sector Creditors | 127,375 |
| Non-Public Sector Creditors | | |
| 11,333 | Council Tax and Business Rates | 14,672 |
| 13,315 | Short-Term Lease Liabilities | 4,601 |
| 9,309 | Non-Public Sector Receipts in Advance | 10,355 |
| 7,917 | Accumulated Absences | 6,783 |
| 6,327 | Capital Creditors | 7,353 |
| 24,649 | Other Creditors | 31,587 |
| 72,850 | Total Non-Public Sector Creditors | 75,352 |
| 184,949 | Total Short-Term Creditors | 202,727 |

The 2020/21 figures for Other Public Sector Creditors, Public Sector Receipts in Advance, and Non-Public Sector Receipts in Advance have been restated to correct a misclassification of receipts in advance balances.

25. Debtors

| 31 March 2021 | | | Debtors | 31 March 2022 | | |
|----------------------------------|-------------------------------|----------------|---|----------------|-------------------------------|----------------|
| Gross Debt | Impairments for Doubtful Debt | Net Debt | | Gross Debt | Impairments for Doubtful Debt | Net Debt |
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| Public Sector Debtors | | | | | | |
| 15,325 | - | 15,325 | HMRC: VAT | 11,138 | | 11,138 |
| 1,615 | - | 1,615 | LBI Pension Fund | 1,446 | | 1,446 |
| - | - | - | Pension Fund Prepayments | - | | - |
| 45,813 | (2,571) | 43,242 | Other Public Sector Debtors | 43,882 | (990) | 43,882 |
| Non-Public Sector Debtors | | | | | | |
| 22,026 | (7,565) | 14,461 | Non-Domestic Rates | 7,623 | (7,147) | 476 |
| 26,528 | (24,400) | 2,128 | Council Tax | 27,528 | (25,689) | 1,839 |
| 14,416 | (13,101) | 1,315 | Housing Benefit Overpayments | 13,673 | (11,947) | 1,726 |
| 29,321 | (27,811) | 1,510 | Parking Fines | 38,324 | (35,683) | 2,641 |
| 6,716 | (2,373) | 4,343 | Residential & Domiciliary Care | 8,115 | (2,570) | 5,544 |
| 18,734 | (1,026) | 17,708 | Leaseholders: Major Works/Service Charges | 18,724 | (1,076) | 17,648 |
| 14,895 | (8,319) | 6,576 | Housing Rents | 15,469 | (9,318) | 6,151 |
| 1,843 | - | 1,843 | Prepayments | 2,712 | - | 2,712 |
| 23,213 | (3,756) | 19,457 | Other Non-Public Sector Debtors | 26,997 | (7,340) | 19,657 |
| 220,445 | (90,922) | 129,523 | Total Debtors | 215,633 | (101,762) | 113,871 |
| | | | | | | |
| 206,990 | (90,049) | 116,941 | Short term debtors | 208,007 | (100,858) | 107,147 |
| 13,455 | (873) | 12,582 | Long term debtors* | 7,626 | (902) | 6,724 |

*All long-term debtors in 2021/22 relate to leaseholder contributions to major works

26. Provisions

| Provisions 2021/22 | Insurance | Business Rate Appeals | Thames Water | Social Services Charges | Disrepair claims | Other minor | Total |
|---------------------------------------|---------------|-----------------------|---------------|-------------------------|------------------|-------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 1 April 2021 | 16,782 | 9,953 | 10,324 | 675 | 512 | 971 | 39,217 |
| Additional provisions made in 2021/22 | - | 3,120 | - | - | 1,076 | - | 4,197 |
| Amounts used in 2021/22 | (354) | (383) | - | (3) | (562) | (42) | (1,343) |
| Unused amounts reversed in 2021/22 | - | - | (1,731) | 4 | (206) | (641) | (2,574) |
| Balance at 31 March 2022 | 16,428 | 12,690 | 8,593 | 676 | 820 | 288 | 39,495 |

| Analysis of Balance at 31 March 2022 | | | | | | | |
|--------------------------------------|---------------|---------------|--------------|------------|------------|------------|---------------|
| Settled within 12 months | 4,950 | 12,690 | 8,593 | - | 820 | 288 | 27,341 |
| More than 12 months | 11,478 | - | - | 676 | - | - | 12,154 |
| | 16,428 | 12,690 | 8,593 | 676 | 820 | 288 | 39,495 |

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.

Thames Water

The Water Rates provision in the sum of £10.324m relates to a risk that the council may be required to make refunds to tenants; however the council intends to continue defending any claims brought.

Business Rate Appeals

The council is required to make a provision for appeals against property valuations by business rate payers. The outcome of these appeals, and the timing of any future payments, is determined by the Valuations Office and is not within the council's control

Insurance Provision

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

Each year, the council takes external professional advice on the value of insurance claims which will be paid from the self-funding arrangements. The following table summarises the categories of claims within the total funding requirement estimated by the council's External Fund Advisors set against the total insurance fund.

| Insurance Fund | £'000 |
|---|---------------|
| Employers' Liability | 1,639 |
| Public Liability/Tree Roots | 7,946 |
| Motor | 1,077 |
| Property and Miscellaneous | 4,712 |
| Adjustment for Aggregate Breaches | (1,345) |
| Total for 2007/08 to 2020/21 | 14,029 |
| MMI Clawback | 393 |
| Total Funding Requirement as at 31st March 2022 | 14,422 |
| Buffer for Unexpected Losses (75% Confidence) | 2,006 |
| Total Funding Requirement as at 31st March 2022 (Including Buffer) | 16,428 |

27. Transfers to/from Earmarked Reserves

The note sets out the amounts set aside in General Fund and HRA earmarked reserves for future expenditure commitments, plans and risks.

| Transfers to/from Earmarked Reserves | Balance at 31 March 2021 | Transfers Out 2021/22 | Transfers In 2021/22 | Balance at 31 March 2022 |
|---|-----------------------------|--------------------------|-------------------------|-----------------------------|
| | £'000 | £'000 | | £'000 |
| General Fund | | | | |
| BSF PFI 1 reserve | 5,762 | - | 7 | 5,769 |
| Budget Risk and Insurance Reserve | 25,425 | (3,991) | 4,240 | 25,675 |
| Budget Strategy | 21,111 | (5,297) | 3,772 | 19,588 |
| Business Continuity | 10,000 | - | - | 10,000 |
| Capital Financing | - | - | 3,120 | 3,120 |
| Care Experience | 16,000 | - | - | 16,000 |
| Community Infrastructure Levy - Strategic | 3,692 | (3,511) | 16 | 196 |
| Community Infrastructure Levy - Neighbourhood | 4,743 | (4,743) | - | - |
| Core Funding | 41,465 | (22,636) | 14,751 | 33,580 |
| Dedicated Schools Grant | - | - | 5,218 | 5,218 |
| Energy and Inflation | - | - | 5,509 | 5,509 |
| Islington Assembly Hall Restoration Levy | - | - | 18 | 18 |
| Joint Cemetery Trading A/c | 2,107 | (375) | - | 1,731 |
| Levies | - | - | 2,726 | 2,726 |
| Net Zero Carbon | 2,548 | (67) | - | 2,481 |
| Pooled Schools Budgets | - | - | 828 | 828 |
| Public Health | 1,353 | (171) | 530 | 1,712 |
| Social Care | 5,985 | (1,244) | 4,258 | 8,999 |
| Street Market Reserves | 260 | (122) | - | 138 |
| General Fund Total | 140,451 | (42,157) | 44,994 | 143,288 |
| PFI - Housing PFI I | 5,510 | (5,510) | - | - |
| HRA Tenants' Heating & Hot Water | 1,687 | - | 187 | 1,874 |
| HRA Risk Equalisation | 84,312 | (29,695) | 1,746 | 56,363 |
| HRA Total | 91,509 | (35,204) | 1,933 | 58,237 |

- Building Schools for the Future (BSF) PFI Smoothing reserve – The annual costs of PFI schemes fluctuate over the lifecycle of the schemes. This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- Budget Risk and Insurance reserve – This reserve is set aside to mitigate budget risks, particularly the impact of delayed savings delivery, and for one-off expenditure commitments that span more than one financial year.
- Budget Strategy reserve – This reserve provides one-off funding for expenditure related to the delivery of the medium-term financial strategy (e.g. transformation projects, revenue costs of capital projects, redundancy costs).
- Business Continuity – This reserve mitigates the risk of disruption to key council services and systems, including cyber security risks.

- Capital Financing – This reserve helps to smooth the potential budgetary impact in future financial years of an increased revenue cost of financing the capital programme, in the context of rising interest rates and a very uncertain interest rate outlook.
- Care Experience – This reserve provides for the potential direct and indirect costs of the non-recent child abuse support payment scheme.
- Community Infrastructure Levy (CIL) reserves – These reserves are the balance of CIL funding earmarked for administration costs in future financial years.
- Core Funding – This reserve comprises the one-off financial gain from the former London Business Rates Retention Pilot Pool, and up-front government grant income that will fund Collection Fund losses that will come out of future year budgets (due to Collection Fund accounting timing differences). The remaining balance not relating to Collection Fund losses has been set aside for risks around taxation income and government funding streams.
- Dedicated Schools Grant – This reserve is the balance of Dedicated Schools Grant held by the council that will be spent in future financial years.
- Energy and Inflation – This reserve is earmarked to smooth the budgetary impact of dramatically increasing energy prices and record high levels of inflation.
- HRA PFI 1 Smoothing – This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- HRA Risk Equalisation – This reserve mitigates against HRA financial pressures arising from legislative changes.
- HRA Tenants' Heating and Hot Water – This reserve allow us to manage a stable tenant charging policy by insulating tenants from the volatility of the gas market.
- Islington Assembly Hall Restoration Levy – This reserve earmarks income from the Islington Assembly Hall Restoration Levy on events ticket sales towards funding restoration works in future financial years.
- Joint Cemetery Trading A/c – The council operates a shared cemeteries service with the London Borough of Camden, and any surplus at the end of each financial year is carried forward through this reserve.
- Levies – This reserve mitigates the significant uncertainty around levies estimates over the medium term, particularly concessionary fares and the North London Waste Authority levy.
- Net Zero Carbon - This reserve supports the delivery of the council's Net Zero Carbon programme.
- Pooled Schools Budgets – This reserve holds the unspent balance of pooled schools budgets that will be spent in future financial years.
- Public Health – This reserve is the balance of ring-fenced public health grant funding carried forward to spend in future financial years.
- Social Care - This reserve mitigates significant uncertainty in social care demographic growth estimates and earmarks funding for one-off social care expenditure.
- Street Markets – The council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, any surplus at the end of each financial year is carried forward through this reserve for the future costs of operating the markets.

28. Unusable Reserves

| 31 March 2021 £'000 | Unusable Reserves | 31 March 2022 £'000 |
|------------------------|---|------------------------|
| 1,660,158 | Revaluation Reserve | 1,854,626 |
| 2,442,984 | Capital Adjustment Account | 2,494,820 |
| 92 | Financial Instruments Revaluation Reserve | 98 |
| (991,468) | Pensions Reserve | (925,752) |
| (23,189) | Collection Fund Adjustment Account | (16,529) |
| (7,918) | Accumulated Absences Account | (6,783) |
| 3,080,657 | Total Unusable Reserves | 3,400,480 |

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. 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

| 2020/21 £'000 | Store of unrealised gains on revaluation of non-current assets - Revaluation Reserve | 2021/22 £'000 |
|--------------------|---|--------------------|
| (1,016,704) | Balance as at 1 April | (1,660,158) |
| (709,296) | Gains on revaluations | (258,696) |
| 11,512 | Less Depreciation on revalued amounts | 14,785 |
| 52,940 | Less revaluation losses and impairments written off to previous gains | 48,082 |
| 1,390 | Less gains written out for disposed assets | 1,361 |
| (1,660,158) | Balance as at 31 March | (1,854,626) |

b) Capital Adjustment Account:

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements or accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluations Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs. The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council. The Capital Adjustment Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 13 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 2020/21 £'000 | Capital Adjustment Account | 2021/22 £'000 |
|--------------------|--|--------------------|
| (2,316,657) | Balance as at 31 March | (2,442,984) |
| (27,642) | Capital Expenditure Financed from Usable Capital Receipts | (962) |
| (46,112) | Capital Expenditure Financed from the Major Repairs Reserve | (33,445) |
| (11,306) | Capital Expenditure Financed from Revenue Resources | (46,604) |
| (16,186) | Capital Expenditure funded by Grant | (25,606) |
| 8,756 | REFCUS Financing | 13,046 |
| (79,760) | Gains / Losses on revaluation of non-current assets | 16,908 |
| - | Impairments of non-current assets | - |
| 56,586 | Depreciation of PPE non-current Assets | 58,209 |
| (2,463) | Minimum Revenue Provision | (3,222) |
| (14,305) | Repayment of Obligations arising from PFI Contracts/Lease liabilities | (12,346) |
| (1,390) | Write out of Gains relating to Revalued Disposed Assets | (1,361) |
| 15,563 | Current Value of Disposed Assets | 4,983 |
| (11,512) | Write out of depreciation on revalued amounts (HCA) | (14,785) |
| 3,444 | Net Gains/(Losses) from Fair Value adjustments to Investment Properties | (6,650) |
| (126,327) | Total Increase / (Decrease) in Amounts Set Aside to Finance Capital | (51,835) |
| (2,442,984) | Balance as at 31 March | (2,494,819) |

c) Financial Instruments Adjustment Account

The financial instruments adjustment account contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

| 2020/21 £'000 | Financial Instruments Revaluation Reserve | 2021/22 £'000 |
|------------------|---|------------------|
| (97) | Balance as at 1 April | (92) |
| 5 | Upward revaluation of investments | (7) |
| (92) | Balance as at 31 March | (98) |

d) Pensions Reserve:

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

| 2020/21 | | 2021/22 | |
|------------------|--|---------|------------------|
| £'000 | | £'000 | |
| (911,488) | Balance at 1 April | | (991,468) |
| (39,860) | Actuarial gains or losses on pensions assets and liabilities | | 124,292 |
| (70,895) | 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 | | (100,423) |
| 30,775 | Employer's pensions contributions and direct payments to pensioners payable in the year | | 41,847 |
| (991,468) | Balance at 31 March | | (925,752) |

e) Collection Fund Adjustment Account:

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

| 2020/21 | | | 2021/22 | | |
|----------------|--------------------|-----------------|---|--------------------|-----------------|
| Council Tax | Non-Domestic Rates | Total | Collection Fund Adjustment Account | | |
| £'000 | £'000 | £'000 | Council Tax | Non-Domestic Rates | Total |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1,022 | 7,798 | 8,820 | Balance at 1 April | | |
| | | | (1,438) | (21,751) | (23,189) |
| (434) | (6,606) | (7,040) | Contribution to General Fund from previous year's (surplus) / deficit | (111) | 22,748 |
| (2,026) | (22,943) | (24,969) | Current year's collection fund surplus / (deficit) | 4,139 | (20,116) |
| (1,438) | (21,751) | (23,189) | Balance at 31 March | 2,590 | (19,119) |
| | | | | | (16,529) |

f) Accumulated Absences Account

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

| 2020/21 | | Accumulated Absences Account | 2021/22 | |
|---------|-------|---|---------|---------|
| £'000 | £'000 | | £'000 | £'000 |
| | 5,734 | Balance at 1 April | | 7,918 |
| | | Business combinations | | |
| (5,733) | | Settlement or cancellation of accrual made at the end of the preceding year | (7,918) | |
| 7,917 | | Amounts accrued at the end of the current year | 6,783 | |
| | 2,184 | 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 | | (1,135) |
| | 7,918 | Balance at 31 March | | 6,783 |

29. Cash and Cash Equivalents

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

| 31 March 2021 | Cash and Cash Equivalents | 31 March 2022 |
|---------------|--|---------------|
| £'000 | | £'000 |
| - | Liquid investments | 20,000 |
| 80 | Cash held by the authority | 33 |
| 6,809 | Bank accounts | (5,320) |
| 6,889 | Cash and Cash Equivalents | 14,713 |
| 6,889 | Total Cash and Cash Equivalents | 14,713 |

Further information on liquid investments is included in note 22.

30. Cash Flow Statement – Operating Activities

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

| 2020/21 £'000 | Operating Activities Adjustments | 2021/22 £'000 |
|--|--|------------------|
| 61,557 | Net Surplus or (Deficit) on the Provision of Services | (4,785) |
| Adjust net surplus or deficit on the provision of services for non cash movements | | |
| 56,586 | Depreciation | 58,209 |
| (79,760) | Impairment and downward valuations | 16,908 |
| 87,069 | Increase/Decrease in Creditors | 25,798 |
| (19,621) | Increase/Decrease in Debtors | (1,579) |
| 888 | Increase/Decrease in Inventories | 94 |
| 22,173 | Movement in Pension Liability | 67,563 |
| (322) | Increase/(decrease) in impairment for bad debts | 29 |
| 15,563 | Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets] | 4,983 |
| 9,189 | Other non-cash items charged to the net Surplus or Deficit on the Provision of Services | (6,948) |
| 91,765 | Total | 165,057 |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | | |
| (11,403) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (28,043) |
| 22 | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 23 |
| (17,997) | Any other items for which the cash effects are investing or financing cash flows | (31,318) |
| (29,378) | Total | (59,338) |
| 123,944 | Net Cash Flows from Operating Activities | 100,934 |

The cash flows for operating activities include the following items:

| 2020/21 £'000 | Operating Activities (Interest) | 2021/22 £'000 |
|------------------|--|------------------|
| 1,382 | Interest Received | 1,123 |
| (31,501) | Interest Paid | (27,413) |

31. Cash Flow Statement – Investing Activities

| 2020/21 £'000 | Investing Activities | 2021/22 £'000 |
|------------------|--|------------------|
| (98,286) | Purchase of property, plant and equipment, investment property and intangible assets | (114,063) |
| (293,700) | Purchase of short-term and long-term investments | (124,500) |
| (16,539) | Other payments for investing activities | (324) |
| 12,127 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 26,081 |
| 237,000 | Proceeds from short-term and long-term investments | 170,700 |
| 49,426 | Other receipts from investing activities | 37,875 |
| (109,972) | Net cash flows from investing activities | (4,231) |

32. Cash Flow Statement – Financing Activities

| 2020/21 £'000 | Financing Activities | 2021/22 £'000 |
|------------------|--|------------------|
| 190,900 | Cash receipts of short- and long-term borrowing | 46,000 |
| (15,146) | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | (13,315) |
| (165,400) | Repayments of short- and long- term borrowing | (143,335) |
| (45,169) | Other payments for financing activities | 21,771 |
| (34,815) | Net cash flows from financing activities | (88,879) |

| Reconciliation of Liabilities arising from Financing Activities | 31 March 2021 £'000 | Financing Cash Flows £'000 | Non-Cash Changes £'000 | 31 March 2022 £'000 |
|--|---------------------------|----------------------------------|------------------------------|---------------------------|
| Long-term borrowings | (263,274) | 36,246 | (18,575) | (245,603) |
| Short-term borrowings | (112,246) | 65,000 | 15,443 | (31,803) |
| Lease Liabilities | (718) | (33) | - | (751) |
| On Balance Sheet PFI Liabilities | (95,324) | 13,348 | - | (81,976) |
| Total Liabilities from Financing Activities | (471,562) | 114,561 | (3,132) | (360,133) |

33. Contingent Liabilities and Assets

Legal claims pending settlement

There are 33 outstanding employment tribunal claims and 10 Special Educational Needs claims where the council is the Respondent. A liability will arise if either the council settles a claim and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the Claimant and the council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £750k (employment cases) and £1.620m (education cases).

There are three outstanding human rights cases arising out of the exercise of the council's duties under the Children's Act 1989. The level of potential liability has yet to be ascertained.

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

Support Payment Scheme

On 14 October 2021, the council's Executive approved a Support Payment Scheme (SPS) for persons who suffered emotional, physical, and sexual abuse whilst resident in the council's children's homes from 1966 to 1995. The SPS will enable abuse survivors to receive a financial support payment of £10,000 without having to bring a civil compensation claim. It has been designed to enable eligible applicants to receive a payment more quickly than having to go through the trauma of a lengthy civil compensation claims process.

To help inform the SPS, an actuarial firm was appointed to conduct a study at the end of 2019 to estimate the number of individuals who were resident at any point in Islington children's homes in the 30-year period 1965 to 1995. This was based on a sample of Islington Council's family files and estimated only the numbers resident, not the numbers who suffered abuse. There is no complete list of children's home records for the period in question. The actuary estimated that between 1,700 and 2,400 individuals were resident in Islington children's homes at any time during the period, and were still alive, with a best estimate of 2,000. The actuarial study was important in estimating the maximum direct cost of the SPS (£20m), based upon the number of surviving residents and the amount of the proposed SPS per surviving resident (assuming SPS criteria would have been met).

The council's earmarked reserves include £20m to fund the estimated maximum direct cost of the SPS.

Termination Benefits

The cost of termination benefits in 2021/22 is detailed in Note 8. Some further reductions to the council's workforce may take place over the medium term. The costs of terminating employment contracts in the future cannot be estimated with any great degree of accuracy. This will depend on a number of factors related to the individuals concerned, such as grade and length of service.

Contractual claims pending

The council has underwritten the potential loss of income by Isledon Arts CIC (the outsourced provider of universal youth services) as a result of the COVID-19 pandemic. It is estimated that this could total £345k over the course of 2022/23 and 2023/24.

Guarantees given

The council has given a guarantee to make additional financing available to its trading subsidiary, ICo Limited. In ICo Limited's audited financial statements for 2020/21, the company's net assets as at 31 March 2021 totalled £48.5k.

Contingent Assets

None known.

34. Events after the Balance Sheet Date

The draft Statement of Accounts 2021/22 was authorised for issue on **30 September 2022** by David Hodgkinson, Corporate Director of Resources. Events taking place after this date are not reflected in the financial statements or notes.

Adjusting events

Where events taking place before this date provide information about conditions existing as at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The council is aware of one such adjusting event.

In March 2023, the council received the results of the 2022 Local Government Pension Scheme (LGPS) triennial valuation. This valuation, and the financial and demographic assumptions that underpin it, reflect the position as at 31 March 2022.

In May 2023, the council's actuary provided updated IAS19 reports as at 31 March 2022 for the LGPS, taking account of the 2022 triennial valuation. These were used to update the 2021/22 statement of accounts. This has meant an overall reduction of £9.4m in the balance sheet carrying value of the net pension liability (£916.8m as at 31 March 2022) when compared to the value as at 31 March 2022 derived from a roll-forward of the 2019 actuarial valuation (on which basis the 2021/22 statements were originally prepared).

The updated IAS19 reports reflect actual movements in scheme membership up to 31 March 2022 which were not known before the 2022 triennial valuation was completed. For example, the actual rate of salary increases has been higher than that assumed in the roll forward of the 2019 valuation. Life expectancies for future and current pensioners have reduced in expectation compared to the 2019 valuation.

The financial and demographic assumptions used in the actuarial valuations are discussed in Note 4. Details of the accounting entries relating to the council's defined benefit pension schemes are given in Note 35.

Non-adjusting events

The financial statement and the notes have not been adjusted for the following event, which took place after 31 March 2022, as it provides information that is relevant to an understanding of the council's financial position but does not relate to conditions at that date:

At the beginning of August 2022, a burst water main in Tollington Road caused severe flooding which affected a Council owned property. The ground floor of Sobell Leisure Centre was exposed to significant water damage due to the mass flooding. It also affected nearby roads and a number of neighbouring residential and commercial properties. The full extent of the damage is still to be determined.

35. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The council participates in two post-employment schemes:

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

The following disclosure notes have taken into account the McCloud judgement. For more details regarding the judgement, please refer to note 18 within the Pension fund accounts section.

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 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 |
| Comprehensive Income and Expenditure Statement | | | | |
| <i>Cost of Services</i> | | | | |
| Current service costs including admin. expenses | 57,979 | 77,857 | - | - |
| <i>Other operating income and expenditure</i> | | | | |
| Past service costs including curtailments | 1,071 | 2,469 | - | - |
| Settlements | - | - | - | - |
| <i>Financing and Investment Income and Expenditure</i> | | | | |
| Net Interest Expense | 19,796 | 19,141 | 1,062 | 956 |
| Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services | 78,846 | 99,467 | 1,062 | 956 |
| <i>Remeasurement of the net defined benefit liability comprising:</i> | | | | |
| Return on plan assets (excluding the amount included in the net interest expense) | (262,435) | (106,120) | - | - |
| Actuarial (gains) and losses arising from changes in demographic assumptions | (395) | (118,057) | (13) | (1,569) |
| Actuarial (gains) and losses arising from changes in financial assumptions | 343,654 | (28,606) | 4,602 | (232) |
| Changes in effect of Asset Ceiling | 2,751 | 7,858 | - | - |
| Other (if applicable) | (47,335) | 121,989 | (969) | 445 |
| Total Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 36,240 | (122,936) | 3,620 | (1,356) |
| Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement | 115,086 | (23,469) | 4,682 | (400) |
| 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 | (78,846) | (99,467) | (1,062) | (956) |
| Actual amount charged against the General Fund Balance for pensions in the year | | | | |
| Employers' contributions payable to scheme | 36,484 | 38,668 | 3,304 | 3,179 |
| Retirement Benefits Payable to Pensioners | | | (3,304) | (3,179) |

*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 | Total |
|---|--|------------------|--------------------------------|---------------|------------------------|-----------------|------------------|------------------|
| | London Borough of Islington Pension Fund | | London Pensions Fund Authority | | Discretionary Benefits | | | |
| | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 | 31 March 2021 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present Value of defined benefit obligation | (2,484,056) | (2,544,396) | (42,688) | (40,342) | (47,234) | (43,662) | (2,573,978) | (2,628,400) |
| Fair Value of Plan Assets | 1,557,505 | 1,671,053 | 48,655 | 54,224 | - | - | 1,606,160 | 1,725,277 |
| Impact of Asset Ceiling | - | - | (5,703) | (13,670) | - | - | (5,703) | (13,670) |
| Net liability | (926,551) | (873,343) | 264 | 212 | (47,234) | (43,662) | (973,521) | (916,793) |

The total net liability of £916m 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 2021/22 | Funded Liabilities | | Unfunded Liabilities |
|--|--|--------------------------------|------------------------|
| | London Borough of Islington Pension Fund | London Pensions Fund Authority | Discretionary Benefits |
| | £'000 | £'000 | £'000 |
| Balance as at 31 March 2021 | 2,484,056 | 42,688 | 47,234 |
| Current service costs | 76,318 | 131 | - |
| Interest cost | 51,678 | 768 | 956 |
| Contributions by scheme participants | 13,361 | 20 | - |
| <i>Remeasurement (gains) and losses:</i> | | | |
| Actuarial (gains) and losses arising from changes in demographic assumptions | (118,057) | - | (1,569) |
| Actuarial (gains) and losses arising from changes in financial assumptions | (27,606) | (1,000) | (232) |
| Other (if applicable) | 121,898 | 91 | 445 |
| Past service costs | 243 | - | - |
| Losses/(gains) on curtailment | 2,111 | - | - |
| Liabilities assumed on entity combinations | - | - | - |
| Benefits paid | (59,743) | (2,302) | (3,179) |
| Liabilities extinguished on settlements | - | - | - |
| Adjustment to opening balance | 137 | (54) | 7 |
| Balance as at 31 March 2022 | 2,544,396 | 40,342 | 43,662 |

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| Reconciliation of present value of the scheme liabilities 2020/21 | Funded Liabilities | | Unfunded Liabilities |
|--|--|--------------------------------|------------------------|
| | London Borough of Islington Pension Fund | London Pensions Fund Authority | Discretionary Benefits |
| | £'000 | £'000 | £'000 |
| Balance as at 31 March 2020 | 2,130,585 | 37,729 | 45,856 |
| Current service costs | 56,551 | 106 | |
| Interest cost | 50,601 | 914 | 1,062 |
| Contributions by scheme participants | 12,473 | 22 | - |
| <i>Remeasurement (gains) and losses:</i> | | | |
| Actuarial (gains) and losses arising from changes in demographic assumptions | - | (395) | (13) |
| Actuarial (gains) and losses arising from changes in financial assumptions | 336,557 | 7,097 | 4,602 |
| Other (if applicable) | (46,840) | (495) | (969) |
| Past service costs | 119 | - | - |
| Losses/(gains) on curtailment | 952 | - | - |
| Liabilities assumed on entity combinations | - | - | - |
| Benefits paid | (56,942) | (2,290) | (3,304) |
| Liabilities extinguished on settlements | - | - | - |
| Balance as at 31 March 2021 | 2,484,056 | 42,688 | 47,234 |

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 2021/22 | Funded Liabilities | | Unfunded Liabilities |
|--|--|--------------------------------|------------------------|
| | London Borough of Islington Pension Fund | London Pensions Fund Authority | Discretionary Benefits |
| | £'000 | £'000 | £'000 |
| Closing Fair Value of Scheme Assets as at 31 March 2021 | 1,557,505 | 48,655 | - |
| Interest Income | 32,531 | 881 | - |
| <i>Remeasurement gain/(loss)</i> | | | |
| The return on plan assets, excluding the amount included in the net interest expense | 99,153 | 6,967 | - |
| Other (if applicable) | - | - | - |
| Business combinations | - | - | - |
| Settlements | - | - | - |
| Contributions by the employer | 29,615 | 65 | 3,179 |
| Contributions by scheme participants | 13,361 | 20 | - |
| Benefits paid | (59,743) | (2,301) | (3,179) |
| Administration expenses | (1,345) | (63) | - |
| Adjustment to opening balances | (24) | - | - |
| Closing Fair Value of Scheme Assets as at 31 March 2022 | 1,671,053 | 54,224 | - |

| Reconciliation of the Movements in the Fair Value of Scheme Assets 2020/21 | Funded Liabilities | | Unfunded Liabilities |
|--|--|--------------------------------|------------------------|
| | London Borough of Islington Pension Fund | London Pensions Fund Authority | Discretionary Benefits |
| | £'000 | £'000 | £'000 |
| Closing Fair Value of Scheme Assets as at 31 March 2020 | 1,264,768 | 40,797 | - |
| Interest Income | 30,798 | 993 | - |
| <i>Remeasurement gain/(loss)</i> | | | |
| The return on plan assets, excluding the amount included in the net interest expense | 253,316 | 9,119 | - |
| Other (if applicable) | - | - | - |
| Business combinations | - | - | - |
| Settlements | - | - | - |
| Contributions by the employer | 54,361 | 70 | 3,304 |
| Contributions by scheme participants | 12,473 | 22 | - |
| Benefits paid | (56,942) | (2,293) | (3,304) |
| Administration expenses | (1,269) | (53) | - |
| Closing Fair Value of Scheme Assets as at 31 March 2021 | 1,557,505 | 48,655 | - |

Reconciliation of Asset Ceiling

The asset ceiling is the present value of any future cash savings of not having to contribute to the scheme as it is in surplus. The actuary has reduced the surplus on the LPFA scheme to the asset ceiling, and the effect is shown in the table below. The asset ceiling has been determined by the actuary by taking the total projected current service cost over the period of expected remaining active membership of the Fund, less any employer contributions certified to be paid until 31 March 2022, discounted at the IAS19 discount rate as at 31 March 2022.

| Reconciliation of Asset Ceiling 2021/22 | London Pension Fund Authority |
|--|-------------------------------|
| | £'000 |
| Closing impact of Asset Ceiling as at 31st March 2021 | (5,706) |
| Interest on Asset Ceiling | (106) |
| Actuarial (loss)/gain | (7,858) |
| Closing impact of Asset Ceiling as at 31st March 2022 | (13,670) |

Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

| Local Government Pension Scheme Assets (LGPS) | Quoted | Fair value of scheme assets | |
|---|--------|-----------------------------|-----------------------|
| | | 31 March 2021 £000 | 31 March 2022 £000 |
| Equities | | | |
| UK quoted | Y | 155,746 | 163,764 |
| Private equity | N | 15,575 | 11,697 |
| Global - North America | Y | 280,347 | 324,184 |
| Global - Europe | Y | 264,772 | 300,790 |
| Global - Japan | Y | 31,150 | 33,421 |
| Global - Pacific (ex Japan) | Y | 31,150 | 33,421 |
| Global - Emerging / Other | Y | 77,874 | 140,368 |
| Sub-total equities | | 856,614 | 1,007,645 |
| Bonds | | | |
| UK other | Y | 171,323 | 200,526 |
| Sub-total bonds | | 171,323 | 200,526 |
| Property | | | |
| UK | Y | 233,622 | 257,342 |
| Overseas | N | 15,575 | 16,711 |
| Sub-total property | | 249,197 | 274,053 |
| Alternatives | | | |
| Class 1 | Y | 202,473 | 187,158 |
| Cash | | | |
| Cash accounts | N | 77,874 | 1,671 |
| Sub-total cash | | 77,874 | 1,671 |
| Total assets | | 1,557,481 | 1,671,053 |

| Local Government Pension Scheme Assets (LPFA) | Quoted | Fair value of scheme assets | |
|---|--------|-----------------------------|-----------------------|
| | | 31 March 2021 £000 | 31 March 2022 £000 |
| Equities | | | |
| Global | Y | 20,437 | 25,487 |
| Private equity | N | 4,136 | 9,761 |
| Sub-total equities | | 24,573 | 35,248 |
| Bonds | | | |
| Total return quoted | Y | 5,401 | 6,507 |
| Fixed Income | Y | 2,044 | 1,627 |
| Sub-total bonds | | 7,445 | 8,134 |
| Alternatives | | | |
| Infrastructure | N | 4,039 | 5,423 |
| Property funds | N | 4,428 | - |
| Cash | Y | 3,747 | 1,085 |
| Cash | N | 487 | - |
| Credit | N | 3,941 | 4,338 |
| Sub-total alternatives | | 16,642 | 10,845 |
| Total assets | | 48,660 | 54,227 |

Basis for Estimating Assets and Liabilities

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

Both the local government scheme liabilities and teachers' pensions discretionary benefits liabilities have been assessed by Mercer and Barnett Waddingham, independent firms of actuaries, being based on the latest full valuation of the scheme as at 31 March 2022.

The significant assumptions used by the actuary have been:

| | Funded and Unfunded | | | | Unfunded | |
|--|--|-------------|--------------------------------|-------------|--|-------------|
| | London Borough of Islington Pension Fund | | London Pensions Fund Authority | | Discretionary Benefits Teachers Pension Scheme | |
| | 31 March 21 | 31 March 22 | 31 March 21 | 31 March 22 | 31 March 21 | 31 March 22 |
| Mortality assumptions | | | | | | |
| Longevity at 65 for current pensioners (in years): | | | | | | |
| Men | 22.8 | 21.7 | 20.6 | 20.6 | 22.8 | 22.7 |
| Women ** | 25.3 | 24.0 | 23.6 | 23.7 | 25.3 | 25.3 |
| Longevity at 65 for future pensioners (in years): | | | | | | |
| Men | 24.3 | 22.9 | 22.6 | 22.6 | n/a | n/a |
| Women ** | 27.2 | 25.7 | 25.9 | 26.0 | n/a | n/a |
| Rate of inflation | 2.7% | 3.3% | 2.9% | 3.5% | 2.7% | 3.5% |
| Rate of increase in salaries * | 4.2% | 4.8% | 3.9% | 4.5% | 0.0% | 0.0% |
| Rate of increase in pensions | 2.8% | 3.4% | 2.9% | 3.5% | 2.8% | 3.6% |
| Rate of discounting scheme liabilities | 2.1% | 2.8% | 1.9% | 2.6% | 2.1% | 2.8% |

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) | 78,935 | (78,935) | 2,863 | (2,665) |
| Rate of inflation (increase or decrease by 0.25% LGPS and 0.1% LPFA) | 115,082 | (115,082) | 480 | (475) |
| Rate of increase in salaries (increase or decrease by 0.25% LGPS and 0.1% LPFA) | 11,558 | (11,558) | 15 | (15) |
| Rate of increase in pensions (increase or decrease by 0.1%) | 115,082 | (115,082) | 480 | (475) |
| Rate for discounting scheme liabilities (increase or decrease by 0.5% LGPS and 0.1% LPFA) | (212,154) | 212,154 | (493) | 499 |

Impact of the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Contribution rates applicable in 2021/22 were set based on the 2019 triennial valuation. The council agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council expects to pay a total of £30.4m in contributions to the LGPS and LPFA schemes in 2022/23.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 16 years in 2021/22 (16 years in 2020/21), and within LPFA is 12 years in 2021/22 (12 years in 2020/21).

The authority is exposed to a number of risks:

LGPS

- Investment risk. The Fund's primary risk is that assets fall short of liabilities in the long-term and as a result it is not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as its biggest risk. The

Investment Strategy adopted by the Pension Sub-Committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors regularly by performance benchmark and reviews strategies as markets evolve.

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

LPFA

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

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

Defined Benefit Scheme - Accrued Pensions Contributions

As at 31 March 2022, the council owed LGPS £1.9m and LPFA £22k in contributions and pension strain.

36. 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 2021/22 the council paid £ 11.8m to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020/21 were £11.9m and 23.68%, respectively. The contributions due to be paid in the next financial year are estimated to be £11.8m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2021/22 these amounted to £0.8m (£0.8m in 2020/21).

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

NHS Pension Scheme

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

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

In 2021/22, £158.4k was payable by the council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing an average rate of 14.38% of pensionable pay. The figures for 2020/21 were £185.6k and 16.26%, respectively.

37. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2021/22:

| Income from Grants, Contributions and Donations | 2020/21 | 2021/22 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Credited to Taxation and Non-Specific Grant Income | | |
| COVID-19 | 36,957 | 14,505 |
| New Homes Bonus | 5,269 | 2,458 |
| Business Rates Relief Grant | 36,401 | 25,440 |
| Capital Grants | 13,598 | 31,318 |
| Revenue Support Grant | 24,459 | 24,590 |
| Other Non-specific Grants | 10,426 | 17,036 |
| Total | 127,111 | 115,347 |
| Credited to Services | | |
| Dedicated Schools Grant | 149,173 | 159,629 |
| Housing Benefit Subsidy | 156,962 | 147,600 |
| Public Health Grant | 26,563 | 27,366 |
| Private Finance Initiative | 32,937 | 33,036 |
| Pupil Premium Grant | 10,423 | 10,175 |
| Additional Better Care Fund | 1,820 | - |
| Improved Better Care Fund | 11,088 | 14,154 |
| Asylum Seeker Grant | 3,067 | 2,211 |
| Flexible Homelessness | 2,141 | 2,172 |
| Sixth Form Funding | 2,282 | 2,150 |
| COVID-19 NCS | 21,963 | 17,279 |
| Other Grants and Contributions | 32,593 | 36,171 |
| Total | 451,012 | 451,943 |
| Total Grants and Contributions | 578,123 | 567,291 |

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

| 31 March 2021 £'000 | Grant Balances | 31 March 2022 £'000 |
|--|----------------------------------|------------------------|
| Grants Receipts in Advance - Short Term | | |
| Revenue Grants | | |
| (4,646) | Dedicated Schools Grant | - |
| (2,585) | Other government grants balances | (17,271) |
| (907) | Other contributions | (244) |
| (8,139) | Total | (17,515) |
| Capital Grants | | |
| (20,423) | Government grants | (18,612) |
| (5,080) | s106 contributions | (3,105) |
| (533) | Third party contributions | (434) |
| (26,036) | Total | (22,151) |
| Grants Receipts in Advance - Long Term | | |
| Capital Grants | | |
| (551) | Government grants | (552) |
| (22,427) | s106 contributions | (22,740) |
| (22,978) | Total | (23,292) |

38. Dedicated Schools Grant

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

Over and under-spending on the two elements must be accounted for separately. Details of the deployment of DSG receivable for 2021/22 are as follows:

| Schools Budget funded by Dedicated Schools Grant | Central Expenditure £'000 | Individual Schools Budget £'000 | Total £'000 | Total 2020/21 £'000 |
|---|------------------------------|------------------------------------|----------------|------------------------|
| Final DSG for 2021/222 before Academy recoupment | - | - | 194,017 | 186,209 |
| Academy recoupment 2021/22 | - | - | 37,811 | 35,204 |
| Total DSG after Academy recoupment for 2021/22 | - | - | 156,206 | 151,005 |
| Brought forward from 2020-21 | 4,646 | - | 4,646 | 2,680 |
| Agreed initial budgeted distribution for 2021/22 | 37,113 | 123,738 | 160,852 | 153,685 |
| In-year adjustments | - | (424) | (424) | 134 |
| Final budgeted distribution for 2021/22 | 37,113 | 123,314 | 160,427 | 153,819 |
| less: Actual Central Expenditure | (31,895) | - | (31,895) | (27,684) |
| less: Actual ISB deployed to schools | - | (123,314) | (123,314) | (121,489) |
| plus local authority contribution for 2021/22 | - | - | - | - |
| Carry forward to 2022/23 | 5,218 | - | 5,218 | 4,646 |

39. Trust Funds and Other Third-Party Funds

The council does not act as sole trustee or custodian trustee for any trust funds, nor is it a trustee for any other funds. However, the council is responsible for the administration of a number of third party funds. These funds do not represent assets of the council and, therefore, have not been included in the council's Balance Sheet. These funds totalled £29m as at 31 March 2022 (£31.0m as at 31 March 2021) 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

| 2020/21 £'000 | Housing Revenue Account Income and Expenditure Statement | 2021/22 £'000 |
|---|---|------------------|
| Expenditure | | |
| 35,255 | Repairs and maintenance | 36,287 |
| 118,236 | Supervision and management | 119,569 |
| 1,087 | Rents, rates, taxes and other charges | 1,093 |
| - | Rent rebates | - |
| 29,474 | Depreciation of non-current Assets | 32,375 |
| 5,594 | Gain or loss on Revaluation of non-current Assets | 16,674 |
| 295 | Debt management costs | 289 |
| 189,941 | Total Expenditure | 206,287 |
| Income | | |
| (157,216) | Dwellings rents (gross) | (160,480) |
| (1,420) | Non-Dwellings rents (gross) | (1,440) |
| - | Transfer from PFI Smoothing fund | - |
| (41,686) | Charges for services & facilities | (41,388) |
| (816) | Transfers from General fund - Communal use | (816) |
| - | HRA Subsidy receivable | - |
| (22,855) | PFI Government grant receivable | (22,855) |
| - | Revaluation and gain on non-current Assets | - |
| (143) | Contributions towards Expenditure | (201) |
| - | Other income | (1,131) |
| (224,136) | Total Income | (228,311) |
| (34,195) | Net Cost of Services as included in the Comprehensive Income and Expenditure Statement | (22,024) |
| 2,452 | HRA services' share of Corporate and democratic core | 2,456 |
| - | HRA share of non-allocated spec. services | - |
| (31,743) | Net (Income) / Cost of HRA Services | (19,568) |
| HRA share of operating income in the Comprehensive Income and Expenditure Statement: | | |
| (5,093) | Gain or loss on sale of property, plant & equipment | (9,282) |
| (89) | Gain or loss on sale of investment properties | 263 |
| - | Income and expenditure in relation to investment properties | - |
| 75 | Gain or loss on revaluation of investment properties | (50) |
| 20,853 | Interest payable and similar charges | 19,763 |
| 1,788 | Movement in the allowance for bad debts | 1,338 |
| (7,048) | Capital grants and contributions receivable | (18,359) |
| (1,043) | Interest and investment income | (834) |
| (22,300) | (Surplus)/Deficit for the year on HRA Services | (26,729) |

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.

| 2020/21 £'000 | Movement on the HRA Statement | 2021/22 £'000 |
|------------------|---|------------------|
| (17,521) | Balance on the HRA at the end of the previous year | (17,521) |
| (22,300) | (Surplus) or Deficit for year on the HRA Income and expenditure account | (26,729) |
| 21,680 | Adjustments between accounting basis and funding basis under statute | 60,000 |
| (620) | Net (Increase) or decrease before transfers to or from reserves | 33,271 |
| 620 | Transfers to / (from) reserves | (33,271) |
| - | (Increase) or decrease in year on the HRA | - |
| (17,521) | Balance on the HRA at the end of the current year: | (17,521) |

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

| 2020/21 £'000 | Note on Reconciling Items for the HRA Balance | 2021/22 £'000 |
|---|---|------------------|
| Adjustments between accounting basis and funding basis under statute | | |
| - | Impairment of non-current Assets | - |
| 7,048 | Capital grants received transferred to Grants reserve | 18,359 |
| - | REFCUS | (10) |
| 11,851 | Repayment of PFI / lease liabilities | 9,786 |
| 5,093 | Gain or loss on sale of HRA non-current assets | 9,278 |
| (5,594) | Gain or loss on revaluation of council dwellings | (16,674) |
| (9,691) | Reversal of charges made for retirement benefits in accordance with IAS 19 | (12,790) |
| - | Differences between interest payable and similar charges including amortisation of premiums and discounts | - |
| 5,029 | Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 5,380 |
| (304) | Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | 128 |
| (75) | Gain or loss on revaluation of investment properties | 50 |
| (101) | Capital Receipts funding of Disposal Costs | (111) |
| (29,474) | Transfer from Capital Adjustment Account equivalent to depreciation | (32,375) |
| 8,424 | Capital Expenditure funded by the HRA | 46,604 |
| 29,474 | Transfers to/(from) Major Repairs Reserve | 32,375 |
| Transfer to / from earmarked reserves | | |
| - | Transfer to/(from) PFI Smoothing fund | - |
| 200 | Transfer to/(from) Tenants' Heating & hot water reserve | 187 |
| 420 | Amounts transferred to/(from) HRA Reserve | (33,458) |
| 22,300 | Net additional amount required by statute to be debited or credited to the HRA Balance for the year | 26,729 |

Notes to the Housing Revenue Account

1. Number and Types of Dwellings

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

| 31 March 2021 Nos | Housing stock numbers | 31 March 2022 Nos |
|-------------------------|-----------------------|-------------------------|
| 22,829 | Flats | 22,856 |
| 2,470 | Houses | 2,467 |
| 25,299 | Total | 25,323 |

2. Value of Dwellings

The value of Council Dwellings as at 31st March 2022 was £3.547 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 remained at 25% in 2021/22 which means that the vacant possession value of the dwellings within the HRA as at 31st March 2022 is £14.188 billion. The difference between the vacant possession and the balance sheet value shows the economic cost to the Government of providing social housing at less than open market rents.

| 31 March 2021 £'000 | Housing Stock - Value | 31 March 2022 £'000 |
|---------------------------|--------------------------------|---------------------------|
| Operational Assets | | |
| 3,330,469 | Council Dwellings | 3,546,482 |
| Other | | |
| 30,082 | Other Land & Buildings | 33,517 |
| 19,131 | Infrastructure assets | 19,416 |
| 3,283 | Vehicles, Plant & Equipment | 2,889 |
| 193 | Surplus non-operational assets | 193 |
| 3 | Community Assets | 2 |
| 1,289 | Investment Properties | 1,922 |
| 60,674 | Assets under Construction | 34,411 |
| 281 | Assets held for Sale | 476 |
| 3,445,405 | Total | 3,639,308 |

3. Major Repairs Reserve

| 2020/21 £'000 | Major Repairs Reserve | 2021/22 £'000 |
|------------------|--|------------------|
| (21,909) | Balance as at 1 April | (5,271) |
| (29,474) | Transfer from HRA equivalent to HRA depreciation | (32,375) |
| - | Other transfer to/(from) HRA | - |
| 46,112 | Capital Expenditure on Dwellings | 33,445 |
| (5,271) | Balance as at 31 March | (4,201) |

4. Capital Expenditure and Capital Receipts

The council spent £99.5m on the housing stock in 2021/22 (£84.5m in 2020/21). HRA capital receipts in year amounted to £14.3m of which £3.8m was paid to central government.

| 2020/21 £'000 | HRA Capital Expenditure | 2021/22 £'000 |
|------------------|---|------------------|
| 84,503 | Works to HRA Dwellings / Other Properties | 99,488 |
| - | REFCUS* | - |
| 84,503 | Total | 99,488 |

| 2020/21 £'000 | Capital Expenditure by Funding Source | 2021/22 £'000 |
|------------------|---------------------------------------|------------------|
| - | Borrowing* | - |
| (22,718) | Usable Capital receipts* | (18,009) |
| (8,424) | Revenue Contributions | (46,604) |
| (46,112) | Major Repairs Reserve | (33,445) |
| (7,249) | Other | (1,430) |
| (84,503) | Total | (99,488) |

| 2020/21 £'000 | Summary of Capital Receipts | 2021/22 £'000 |
|------------------|--|------------------|
| 7,064 | Usable | 10,478 |
| 3,720 | Paid to the government Housing Capital Receipts Pool | 3,781 |
| 10,784 | Total | 14,259 |

5. Depreciation

| 2020/21 £'000 | Depreciation | 2021/22 £'000 |
|------------------|---|------------------|
| 26,685 | Council Dwellings | 29,797 |
| 851 | Other Land & Buildings | 406 |
| 1,347 | Infrastructure Assets | 1,387 |
| 591 | Vehicles, Plant & Equipment | 785 |
| - | Surplus non-operational assets and Community Assets | - |
| - | Intangible Assets | - |
| 29,474 | Total Depreciation | 32,375 |

6. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2021/22 was £7.4m (£4.7m in 2020/21).

7. Rent Arrears

Outstanding rent arrears as at 31 March 2022 were £12.6m. The amounts outstanding as at 31 March 2021 were £12.3m. During 2021/22, irrecoverable rent arrears of £0.69m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £7.4m. The table below shows closing rent arrears for 2021/22 and 2020/21.

| 2020/21 £'000 | Rent Arrears | 2021/22 £'000 |
|------------------|-----------------|------------------|
| 8,544 | Current tenants | 8,290 |
| 3,773 | Former tenants | 4,293 |
| 12,317 | Total | 12,583 |

Collection Fund Statement

The Collection Fund 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 (NNDR).

Collection Fund expenditure for both council tax and NNDR was set (per regulations) as part of the 2021/22 budget setting process. Subsequently, the COVID-19 pandemic struck and had a substantial impact on collectable Collection Fund income. This included the impact of the expanded government business rates reliefs to properties within the retail, hospitality, and leisure sectors. Consequently, there is a substantial deficit in the Collection Fund at the end of 2021/22. The element of the Collection Fund deficit relating to expanded government business reliefs will be repaid by the billing authority (the council) and preceptors (the GLA and central government) in 2022/23, funded by up-front Section 31 grant received from the government. The exceptional element of the Collection Fund deficit not relating to expanded government reliefs will be repaid by preceptors over 3 years instead of the normal 1 year, and will be partially offset by compensation from the government's 75% Tax Income Guarantee scheme.

Income and Expenditure Statement

| 2020/21 | | | 2021/22 | | | |
|--|--------------------|------------------|--|--------------------|------------------|------------------|
| Council Tax | Non-Domestic Rates | Total | Summary of Income and Expenditure Account as at 31st March 2022 | | | |
| £'000 | £'000 | £'000 | Council Tax | Non-Domestic Rates | TOTAL | |
| £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | |
| Income | | | | | | |
| (126,935) | (227,543) | (354,478) | Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs) | (135,422) | (242,901) | (378,323) |
| - | (6,725) | (6,725) | Business Rate Supplement Income | - | (7,119) | (7,119) |
| Transfers from General Fund | | | | | | |
| - | (1,803) | (1,803) | Transitional Relief | - | 445 | 445 |
| (126,935) | (236,071) | (363,006) | Total Income | (135,422) | (249,575) | (384,997) |
| Expenditure | | | | | | |
| Precepts, Payments & Demands | | | | | | |
| 19 | - | 19 | Lloyd Square | 19 | - | 19 |
| 26,971 | 107,800 | 134,771 | Greater London Authority | 28,270 | 109,904 | 138,174 |
| - | 6,621 | 6,621 | BRS Payments | - | 7,012 | 7,012 |
| 98,750 | 87,405 | 186,155 | London Borough of Islington | 99,230 | 89,111 | 188,341 |
| - | 96,146 | 96,146 | Payments with respect to Central Share | - | 98,022 | 98,022 |
| 125,740 | 297,972 | 423,712 | Total Precepts & Demands | 127,519 | 304,049 | 431,568 |
| Collection & Admin Costs | | | | | | |
| - | 724 | 724 | Costs of Collection | - | 726 | 726 |
| - | 104 | 104 | BRS Administrative Costs | - | 107 | 107 |
| Other Transfers to the General Fund | | | | | | |
| - | 79 | 79 | Renewable Energy Schemes | - | 79 | 79 |
| Contributions | | | | | | |
| | | | Towards previous year's Collection Fund Surplus | | | |
| 434 | 6,606 | 7,040 | London Borough of Islington | 111 | (22,747) | (22,636) |
| 117 | 3,716 | 3,833 | Greater London Authority | 30 | (28,855) | (28,825) |
| - | 951 | 951 | Central Government | - | (25,712) | (25,712) |
| Bad and Doubtful Debts / Appeals | | | | | | |
| 41 | 367 | 408 | Current Year Write Offs | 50 | 258 | 308 |
| - | 1,616 | 1,616 | Appeals Provision | - | 10,402 | 10,402 |
| 3,743 | 11,687 | 15,430 | Allowance for Bad Debts Provisions | 2,503 | 1,006 | 3,509 |
| 130,075 | 323,822 | 453,897 | Total Expenditure | 130,213 | 293,313 | 369,526 |
| 3,140 | 87,751 | 90,891 | (Surplus) / Deficit for the Year | (5,209) | (10,262) | (15,471) |
| Collection Fund Account Reserves | | | | | | |
| (1,301) | (13,757) | (15,058) | (Surplus)/Deficit brought forward | 1,839 | 73,993 | 75,832 |
| 3,140 | 87,750 | 90,890 | (Surplus)/Deficit for the year | (5,209) | (10,263) | (15,472) |
| 1,839 | 73,993 | 75,832 | Closing Collection Fund Balance | (3,370) | 63,730 | 60,360 |
| Current Share of (Surplus)/Deficit | | | | | | |
| 1,439 | 21,751 | 23,190 | London Borough of Islington | (2,589) | 19,119 | 16,530 |
| 400 | 27,626 | 28,026 | Greater London Authority | (781) | 23,580 | 22,799 |
| - | 24,616 | 24,616 | Central Government | - | 31,031 | 21,301 |
| 1,839 | 73,993 | 75,832 | Total (Surplus)/Deficit c/f | (3,370) | 63,730 | 60,360 |

Notes to the Collection Fund Statement

C1. Council Tax

2021/22 Council Tax income is made up of the following elements:

| 2020/21 £'000 | Council Tax Income | 2021/22 £'000 |
|------------------|--|------------------|
| (182,977) | Gross Opening Charge | (195,086) |
| | Less: Adjustments | |
| 11,064 | Exemptions | 11,795 |
| 77 | Disabled Relief | 70 |
| 15,813 | Discounts | 17,299 |
| 29,088 | Council Tax Support | 30,500 |
| (126,935) | Income collectable from Taxpayers | (135,422) |

Council tax support costs in 2021/22 are net of £2.816m discretionary relief funded by the General Fund (in relation to the discretionary extension of the government's £150 Hardship Fund Scheme for 2020/21).

C2. Council Tax Base

The 2021/22 council tax base was 77,737 equivalent Band D properties (81,221 in 2020/21), which was used to calculate the Band D council tax of £1,640.14 (excluding Lloyd Square Garden area). The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection.

| Bands | Chargeable No. of dwellings | Band Ratio | 2021/22 Band D No. of dwellings | 2020/21 Band D No. of dwellings |
|---|--------------------------------|------------|------------------------------------|------------------------------------|
| A | 2,233 | 0.667 | 1,489 | 927 |
| B | 3,103 | 0.778 | 2,414 | 2,699 |
| C | 16,941 | 0.889 | 15,061 | 16,318 |
| D | 21,993 | 1.000 | 21,993 | 23,092 |
| E | 13,842 | 1.222 | 16,915 | 17,185 |
| F | 7,395 | 1.444 | 10,678 | 10,701 |
| G | 6,173 | 1.667 | 10,290 | 10,260 |
| H | 858 | 2.000 | 1,716 | 1,696 |
| Total | 72,538 | | | |
| Total Band D Equivalents Dwellings | | | 80,556 | 82,878 |
| Budgeted Collection Rate | | | 96.50% | 98.00% |
| Council Tax Base | | | 77,737 | 81,221 |

C3. Non-domestic Rates (NDR)

The council collects non-domestic rates for the local authority area that are based on commercial property rateable values set by the Valuation Office Agency multiplied by the business rates multiplier set nationally by government. The total rateable value at 31st March 2022 was £716m (£724m at 31st March 2021). The standard multiplier for 2021/22 was 51.2p (51.2p in 2020/21), and the Small Business Rate Relief multiplier for 2021/22 was 49.9p (49.9p for 2020/21).

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

| 2020/21 £'000 | Business Rates (NDR) | 2021/22 £'000 |
|------------------|---|------------------|
| (367,040) | Gross rates and empty rates due at the end of the year | (355,737) |
| | <i>Less allowance and adjustments:</i> | |
| 7,846 | NDR Payable in respect of previous years | 7,771 |
| 1,803 | Transitional Protection Payments | (445) |
| 24,016 | Mandatory Relief | 26,159 |
| 11,921 | Unoccupied Property Relief | 17,630 |
| 83,989 | Retail, Hospitality and Leisure Reliefs ** (Note 1) | 52,314 |
| 8,491 | Small Business Rate Relief | 8,287 |
| 94 | Revaluation Relief | - |
| 202 | Supporting Small Business Relief | 139 |
| 31 | Pub Relief | 1 |
| 1,104 | Discretionary Relief | 980 |
| 139,497 | Total Reliefs and Adjustments | 112,836 |
| (227,543) | Net Rates Payable After Reliefs and adjustments | (242,901) |

Note 1: In response to continuous COVID impact and government's commitment to ongoing support, the expanded retail discounts scheme to retail, leisure and hospitality sector was continued in 2021/22 at 100% rate for the first three months, from 1 April 2021 to 30 June 2021, and then at 66% for remaining part of the year, from 1 July 2021 to 31 March 2022. The actual costs of expanded retail discounts however was reimbursed to billing and major precepting authorities under the Government's general fund section 31 grant scheme. Thus, significant losses in the current year collection fund will partially be offset by the balance held in earmarked reserves in the future years.

** The above figure includes nursery reliefs.

C4. Business Rates Supplement (BRS) - Crossrail.

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

The aggregate rateable value of properties liable for BRS on 31st March 2022 was £530m (£536m at 31 March 2021). The multiplier for the year was 2.0p, giving a possible BRS income of £10.6m.

After allowable adjustments, the collectable income from BRS payers for 2021/22 was £7.119m (£6.725m in 2020/21). The £7.012m (£6.621m in 2020/21) payable to GLA is net of £0.1m collection costs and other adjustments retained by the council.

| 2020/21 £'000 | Business Rates Supplement (Crossrail) | 2021/22 £'000 |
|------------------|--|------------------|
| (6,725) | BRS Due At Year End | (7,119) |
| | <i>Less allowance and adjustments:</i> | |
| - | Refund of overpayments | - |
| 86 | Losses in collection | 89 |
| 86 | Total | 89 |
| (6,639) | Income due from Business Ratepayers | (7,030) |
| 18 | Costs of Collection | 18 |
| (6,621) | Total | (7,012) |

C5. Collection Fund Share of (Surplus)/Deficit

Any surplus or deficit within the Collection Fund is shared between the billing authority (the council) and preceptors.

The council tax apportionment of council tax income between the council and the Greater London Authority is pro-rata to the share of total council tax in the relevant billing year.

Non-domestic rates is shared between the council (30%), the Greater London Authority (37%) and the central government (33%).

Islington Pension Fund

Fund Account

| 2020/21 £'000 | Pension Fund Account (dealing with members, employers and others directly involved in the scheme) | 2021/22 £'000 | Note |
|---------------------------------|--|------------------|------|
| Contributions receivable | | | |
| 29,104 | Employer contributions | 31,449 | 7a |
| 28,037 | Deficit recovery contributions | 1,252 | 7a |
| 13,533 | Members contributions | 14,457 | 7b |
| 5,021 | Transfers in from other pension funds | 2,667 | 8 |
| 2,399 | Other Income | 2,321 | 9 |
| 78,094 | Total Income | 52,146 | |
| Benefits payable | | | |
| (50,422) | Pensions | (51,746) | 10 |
| (8,827) | Lump sum benefits | (10,707) | 10 |
| (8,404) | Payment to and on account of leavers | (4,518) | 11 |
| (67,653) | Total Expenditure | (66,971) | |
| 10,441 | Net additions/ (withdrawals) from dealing with members | (14,825) | |
| (2,837) | Management Expenses | (3,114) | 12 |
| 7,604 | Net additions/ (withdrawals) including fund management expenses | (17,939) | |
| Returns on investments | | | |
| 16,340 | Investment return gain/(loss) | 13,081 | 13 |
| 281,099 | Change in market value (realised & unrealised) | 128,410 | |
| 297,439 | Net Returns on investments | 141,491 | |
| 305,043 | Net increase/(decrease) in fund in year | 123,552 | |
| 1,358,812 | Opening net assets of the scheme | 1,663,855 | |
| 1,663,855 | Closing net assets of the scheme | 1,787,407 | |

Net Assets Statement

| 2020/21 £'000 | Net Assets Statement for the year ended 31 March 2022 | 2021/22 £'000 | Note |
|---------------------------------------|--|------------------|------|
| Investments | | | |
| 1,638,824 | Investment assets | 1,767,578 | 14 |
| 23,294 | Other Investment and Cash | 16,845 | 14 |
| 1,662,118 | Total Investments | 1,784,423 | |
| Current Assets and Liabilities | | | |
| 4,195 | Current assets | 5,727 | 16 |
| (2,458) | Current liabilities | (2,743) | 17 |
| 1,663,855 | Net assets of the scheme available to fund benefits at 31 March | 1,787,407 | |

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. Description of Fund

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 administered by Islington Council, 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. Government Regulations fix employees' contributions to the Fund and the extent of benefits paid out. An independent actuary assesses the council's contribution rate every three years.

a) General

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

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

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

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures (total commitments £36.99m) and Standard Life (total commitments £49.93m). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1, II and III (total commitment £99.0m). The fund has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £51.0m) and Pantheon Access £76.1m. The fund also has two Private Debt managers Churchill Middle Market (total commitment £72.3m) and Permira Credit Solutions (total commitment £50m).

The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 28). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund

investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who represent the shareholders will recommend the appointment of directors to the company and receive reports from the company oversees it.

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

Power is given in The Local Government Pension Scheme Regulations 2016 (as amended) ("the 2016 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 to admit employees of other organisations to the London Borough of Islington Pension Fund.

Lists of the scheduled and admitted bodies to the fund are detailed below.

b) Membership

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

Organisations participating in the Islington Pension Fund include the following:

- Scheduled bodies, which are automatically entitled to be members of the fund.
- Admitted bodies, which participate in the fund under the terms of an admission agreement between the fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

List of the scheduled and admitted bodies to the fund are detailed below:

| Administering Authority | Islington Council |
|---|--|
| Schedule Body | Admitted Body |
| St Mary Magdalene Academy | Volunteering Matters (formerly CSV) |
| City of London Academy Islington | Camden & Islington NHS Foundation Trust |
| The New North Academy | Braithwaite |
| William Tyndale Primary School | Pleydell |
| St Mary Magdalene Academy: The Courtyard | NCP Services (Islington South) |
| Elliot Foundation | SSE Contraction Ltd (Islington Lighting) |
| Pears Family School Academy | Brunswick |
| The Bridge School | Caterlink |
| City of London Academy, Highbury Grove | Engie Services Ltd(Cofely Workplace Ltd) |
| City of London Academy, Highgate Hill | Greenwich Leisure Ltd |
| The Bridge Satellite Provision | Isledon Arts CIC |
| The Bridge Integrated Learning Space | Alliance in Partnership |
| City of London Primary Academy, Islington | Bouyges ES FM UK Ltd. |
| Clerkenwell Parochial CofE Primary School | |
| Hungerford School | |
| London Screen Academy | |

c) Fund Membership

| Membership of the Fund | Administering Body | | Admitted Bodies | | Scheduled Bodies | | Totals | |
|--------------------------------------|--------------------|---------------|-----------------|--------------|------------------|------------|---------------|---------------|
| | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 | 2020/21 | 2021/22 |
| | No's | No's | No's | No's | No's | No's | No's | No's |
| Employees Contributing into the Fund | 5,961 | 6,087 | 134 | 106 | 429 | 519 | 6,524 | 6,712 |
| Pensioners | 5,643 | 5,778 | 480 | 501 | 45 | 50 | 6,168 | 6,329 |
| Widows/ Children's Pensions | 918 | 914 | 53 | 55 | 5 | 6 | 976 | 975 |
| Deferred Benefits | 7,320 | 7,333 | 676 | 660 | 293 | 333 | 8,289 | 8,326 |
| Totals | 19,842 | 20,112 | 1,343 | 1,322 | 772 | 908 | 21,957 | 22,342 |

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

- i. Employees' contributions ranging between 5.5% and 12.5% according to the annual earnings band an employee falls in.
- ii. Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 2019/20). 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 nineteen years. The Council made a lump sum payment of £28.04 in 2020-21 to the Pension fund in advance instead of paying the amount over a three-year period (2020-2022) to fund the deficit following the triennial valuation.
- iii. 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.
- iv. 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.
- v. 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.

Benefits

- i. 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
 - III- Health Retirement subject to approval by council's medical adviser
- ii. Voluntary Scheme Pay, Mandatory Scheme Pay and Lifetime Allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

- iii. Lump sum payments on retirement or death in service.

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

- iv. 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 leaves after then and 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
- v. 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.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2021/22 financial year and its positions as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Updated in 2021/22), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. There are no Code changes affecting pension funds for 2021/22, nor new CIPFA Guidance in 2021/22.

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) 26 basis, is disclosed in Note 18 of these accounts.

The Pension Fund Accounts have been prepared on a going concern basis.

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

A) Contributions

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes that rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employer's contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in year but unpaid will be classed as a current financial asset. Any amount not due until future years are classed as long-term financial assets

B) Transfers

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (Note 8). Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

C) Investment Income

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

- **Movement in the net market value of investments** – Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.
- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2022.

Fund Account – expense items

D) Benefits Payable

Benefits payable and refund of contributions are brought into the accounts on the basis of valid claims approved during the year. Under the rules of the Fund, retirees receive a lump sum retirement grant in respect of any membership up to 31 March 2009, in addition to their annual pension.

Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose regarding the type or amount of benefit, then these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

E) Taxation

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

F) VAT

Input VAT is generally recoverable on all Fund activities.

G) Mandatory Scheme Pays (MSP), Voluntary Scheme Pays (VSP) and lifetime allowance

Members are entitled to request the Pension Fund pays their tax liabilities due in respect of annual allowance and lifetime allowance in exchange for a reduction in pension. Where the Fund pays member tax liabilities direct to HMRC it is treated as an expense in the year in which the payment occurs.

H) 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 on 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.

Net assets statement

I) Financial assets

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into but not yet complete at 31 March each year are accounted for as financial instruments held at amortised cost and reflected in the reconciliation of movements in investments and derivatives in Note 14. Any gains or losses on investment sales arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

- **Changes in the net market value of investments** (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.
- **Pooled Investment Vehicles** are stated at bid price for funds with bid/offer spreads or single price where there are no bid/offer spreads as provided by the investment manager.
- **Managed funds** and Unit trusts are valued at the price quoted by their respective managers on the last trading day of the year, which is determined by the market value of the underlying investments.
- **Private Equity** is valued using the latest audited valuation and is carried at fair value. This is adjusted for any capital calls/distributions that have taken place since the date of the statement. Unquoted investments for Private Placements and Infrastructure are priced using discounted cash flow methodology.

J) Foreign currency transactions

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

K) Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value. The fund holds forward exchange contract consists of an asset and liability.

L) Cash and cash equivalents

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

M) Loans and receivables

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, i.e. the outstanding principal receivable as at the year-end date plus accrued interest.

N) Financial liabilities

A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses

arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

O) Stock Lending

The fund does not participate in stock lending.

P) Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016 but are disclosed for information in Note 20.

Q) 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.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

There were no critical judgements made during 2021/22.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations; however, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

| Item | Uncertainties | Effect if actual results differ from assumptions | | | | | | | | | | | | | | | | | |
|---|--|---|--|--|--|--------------------------------|--------------------------|-------------------------------------|-------------|----------------|--|--------------|---------------|---|-------------|----------------|---|-------------|---------------|
| Actuarial present value of promised retirement benefits. | Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are in regard to the discount rate used, salary increase projections, and retirement age. | <table border="1"> <thead> <tr> <th data-bbox="802 647 1121 712">Change in assumptions – year ended 31st March 2022</th> <th data-bbox="1133 647 1289 712">Approx % change in liabilities</th> <th data-bbox="1300 647 1487 712">Approx monetary value £m</th> </tr> </thead> <tbody> <tr> <td data-bbox="802 719 1121 761">0.5% p.a. decrease in discount rate</td> <td data-bbox="1133 719 1289 761">8% increase</td> <td data-bbox="1300 719 1487 761">£223m increase</td> </tr> <tr> <td data-bbox="802 768 1121 810">0.5% p.a. increase in salary increase rate</td> <td data-bbox="1133 768 1289 810"><1% increase</td> <td data-bbox="1300 768 1487 810">£13m increase</td> </tr> <tr> <td data-bbox="802 817 1121 860">0.5% p.a. increase in inflation / pension increase rate</td> <td data-bbox="1133 817 1289 860">8% increase</td> <td data-bbox="1300 817 1487 860">£223m increase</td> </tr> <tr> <td data-bbox="802 866 1121 931">1 year increase in member life expectancy</td> <td data-bbox="1133 866 1289 931">3% increase</td> <td data-bbox="1300 866 1487 931">£80m increase</td> </tr> </tbody> </table> | | | Change in assumptions – year ended 31 st March 2022 | Approx % change in liabilities | Approx monetary value £m | 0.5% p.a. decrease in discount rate | 8% increase | £223m increase | 0.5% p.a. increase in salary increase rate | <1% increase | £13m increase | 0.5% p.a. increase in inflation / pension increase rate | 8% increase | £223m increase | 1 year increase in member life expectancy | 3% increase | £80m increase |
| Change in assumptions – year ended 31 st March 2022 | Approx % change in liabilities | Approx monetary value £m | | | | | | | | | | | | | | | | | |
| 0.5% p.a. decrease in discount rate | 8% increase | £223m increase | | | | | | | | | | | | | | | | | |
| 0.5% p.a. increase in salary increase rate | <1% increase | £13m increase | | | | | | | | | | | | | | | | | |
| 0.5% p.a. increase in inflation / pension increase rate | 8% increase | £223m increase | | | | | | | | | | | | | | | | | |
| 1 year increase in member life expectancy | 3% increase | £80m increase | | | | | | | | | | | | | | | | | |
| Private equity and Infrastructure investments | The Partnership’s investments in Portfolio Partnerships are carried at fair value as determined in good faith by the General Partner in accordance with US GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. | Private equity and infrastructure investments are valued at £136.2 in the financial statements. These investments were valued as at the 31st March 2022. These assets have been predicted a sensitivity range of 6.6% –9.6% by the performance analytics. (See note 26a). | | | | | | | | | | | | | | | | | |
| Property and Pooled Property funds | Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data. | The total Property Funds are £300.497m (including pooled property). These assets were valued as at 31st March 2022. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by 6.60% (See note 26a). | | | | | | | | | | | | | | | | | |

6. EVENTS AFTER THE REPORTING DATE

Members re- committed \$100m to infrastructure with Quinbrook Net Zero Fund in August 2022. The In-House UK passive fund was transitioned to LGIM Paris Aligned Fund in August 2022.

7. 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 | |
|---|----------------------|------------------|-----------------------|------------------|------------------|------------------|
| | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 |
| Administering Authority | | | | | | |
| Islington Council * | 53,702 | 28,189 | - | - | 634 | 1,543 |
| Scheduled Bodies | | | | | | |
| St Mary Magdalene Academy | 258 | 246 | - | - | - | 24 |
| City of London Academy | 152 | 163 | - | - | - | - |
| The New North Academy | 107 | 104 | - | - | - | - |
| William Tyndale School | 127 | 141 | - | - | - | - |
| The Courtyard School | 29 | 44 | - | - | - | - |
| Elliot Foundation | 218 | 187 | - | - | - | - |
| The Bridge School | 542 | 586 | - | - | - | - |
| The Bridge School Academy | 74 | 78 | - | - | - | - |
| Pears Family School Academy | 24 | 28 | - | - | - | - |
| City of London Academy Highbury Grove | 327 | 341 | - | - | - | - |
| City of London Academy, Highgate Hill | 72 | 90 | - | - | - | - |
| The Bridge Satellite Provision | 60 | 46 | - | - | - | - |
| City of London Primary Academy, Islington | 20 | 26 | - | - | - | - |
| Clerkenwell Parochial Academy | 64 | 35 | - | - | 59 | 10 |
| Hungerford School | 61 | 166 | - | - | - | - |
| London Screen Academy | 108 | 109 | - | - | - | - |
| Sub-Total Scheduled Bodies | 2,243 | 2,390 | - | - | 59 | 34 |
| Admitted bodies | | | | | | |
| Volunteering Matters (CSV) | - | 100 | - | - | - | - |
| Camden & Islington NHS Foundation Trust | 51 | 53 | - | - | - | - |
| Braithwaite | 7 | 7 | - | - | - | - |
| Pleydell | 24 | 30 | - | - | - | - |
| NCP Services (Islington South) | - | - | - | - | - | - |
| SSE Contracting Ltd (Islington Lighting) | - | - | - | - | - | - |
| Brunswick | 31 | 30 | - | - | - | - |
| Caterlink | 178 | 168 | - | - | - | - |
| Engie Services Ltd(Balfour Beatty) | 79 | 92 | - | - | - | - |
| Mears Ltd | 12 | - | - | - | - | - |
| Greenwich Leisure Ltd | 47 | 51 | - | - | 19 | - |
| Isledon Arts CIC | 7 | 7 | - | - | - | - |
| Alliance In Partnership | 33 | 4 | - | - | 10 | - |
| Bouyges ES FM UK Ltd. | 5 | 3 | - | - | - | - |
| Sub-total Admitted Bodies | 474 | 545 | - | - | 29 | - |
| Totals | 56,419 | 31,124 | - | - | 722 | 1,577 |

* 3-year advance deficit lumpsum contribution of £26.9m is included in Islington Council's 2020-21 normal contributions. The entire amount was accounted for, in previous years it was treated as a prepayment.

b) Members' Contributions

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

| Contributions receivable - Members contributions | Normal Contributions (inc Added Years Contributions) | |
|--|--|------------------|
| | 2020/21 £'000 | 2021/22 £'000 |
| Administering Authority | | |
| Islington Council | 12,569 | 13,452 |
| Scheduled Bodies | | |
| St Mary Magdalene | 112 | 102 |
| City of London Academy | 73 | 77 |
| The New North Academy | 29 | 27 |
| William Tyndale School | 33 | 36 |
| The Courtyard School | 15 | 24 |
| Elliot Foundation | 141 | 152 |
| The Bridge School | 141 | 153 |
| The Bridge School Academy | 34 | 37 |
| Pears Family School Academy | 9 | 11 |
| City of London Academy Highbury Grove | 76 | 78 |
| City of London Academy, Highgate Hill | 41 | 45 |
| The Bridge Satellite Provision | 18 | 18 |
| City of London Primary Academy, Islington | 7 | 10 |
| Clerkenwell Parochial academy | 11 | 1 |
| Hungerford School | 21 | 21 |
| London Screen Academy | 40 | 62 |
| Sub-Total Scheduled Bodies | 801 | 854 |
| Admitted bodies | | |
| Volunteering Matters (CSV) | - | - |
| Camden & Islington NHS Foundation Trust | 7 | 7 |
| Braithwaite | 2 | 2 |
| Pleydell | 7 | 8 |
| NCP Services (Islington South) | 6 | 6 |
| SSE Contracting Ltd (Islington Lighting) | 5 | 5 |
| Brunswick | 8 | 7 |
| Caterlink | 51 | 50 |
| Engie Ltd (Balfour Beatty) | 34 | 38 |
| Mears Ltd | 9 | - |
| Greenwich Leisure Ltd | 22 | 24 |
| Isledon Arts CIC | 3 | 3 |
| Alliance In Partnership | 8 | - |
| Bouyges ES FM UK Ltd. | 1 | 1 |
| Sub-total Admitted Bodies | 163 | 151 |
| Totals | 13,533 | 14,457 |

8. Transfers in

| 2020/21 | Transfers in | 2021/22 |
|--------------|--|--------------|
| <i>£'000</i> | | <i>£'000</i> |
| - | Group transfers in from other schemes | - |
| 5,021 | Individual transfers in from other schemes | 2,667 |
| 5,021 | Total transfers in | 2,667 |

9. Other Income

| 2020/21 | Other Income | 2021/22 |
|--------------|---------------------------|--------------|
| <i>£'000</i> | | <i>£'000</i> |
| 2,399 | Other | 2,321 |
| 2,399 | Total other income | 2,321 |

Other income are pension recharges and miscellaneous fees.

10. Benefits

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

| Benefits Payable | Pensions | | Lump sum benefits | | Lump sum death | |
|---|------------------|------------------|-------------------|------------------|------------------|------------------|
| | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2020/21 £'000 | 2021/22 £'000 |
| Administering Authority | | | | | | |
| Islington Council | 46,713 | 48,013 | 6,501 | 8,108 | 1,745 | 2,101 |
| Scheduled Bodies | | | | | | |
| St Mary Magdalene Academy | 26 | 33 | - | 30 | - | - |
| City of London Academy | 58 | 63 | 137 | 7 | - | - |
| The New North Academy | 26 | 28 | - | 9 | - | - |
| William Tyndale School | 26 | 27 | 6 | - | - | - |
| The Courtyard | 5 | 5 | - | - | - | - |
| Tech City (Stem 6th form Academy) | 2 | 2 | - | - | - | - |
| The Bridge Integrated Learning Space | 6 | 10 | 16 | - | - | - |
| Pears Family School Academy | 1 | 1 | 5 | - | - | - |
| City of London Academy Highbury Grove | 8 | 21 | - | - | - | - |
| City of London Highgate Hill | - | 8 | - | 50 | - | - |
| Clerkenwell | - | 24 | - | 9 | - | - |
| City of London Primary Academy, Islington | 2 | - | 20 | - | - | - |
| Hungerford School | 8 | 7 | - | - | - | - |
| Sub-Total Scheduled Bodies | 168 | 229 | 184 | 105 | - | - |
| Admitted Bodies | | | | | | |
| Volunteering Matters (CSV) | 1,292 | 1,297 | 105 | 55 | - | 133 |
| Aquaterra | 229 | 222 | - | - | - | - |
| CEA | 864 | 866 | 2 | 35 | - | - |
| FSST | 4 | 4 | - | - | - | - |
| Kier Islington Ltd (Caxton) | 603 | 599 | - | - | - | - |
| St Lukes | 2 | 2 | - | - | - | - |
| Redbrick | 2 | 2 | - | - | - | - |
| Circle Anglia | 73 | 73 | - | - | - | - |
| ALA | 21 | 21 | - | - | - | - |
| Notting Hill Trust | 15 | 15 | - | - | - | - |
| Camden & Islington NHS Foundation Trust | 87 | 88 | - | - | - | - |
| Pleydell | 13 | 13 | - | - | - | - |
| SSE Contracting Ltd (Islington Lighting) | 56 | 57 | - | - | - | - |
| Brunswick | 10 | 10 | - | - | - | - |
| Southern Housing Group | 9 | 9 | - | - | - | - |
| Cushman & Wakefield LLP (Dunlop Haywards) | 8 | 8 | - | - | - | - |
| Mouchel Parkman | 33 | 33 | - | - | - | - |
| Caterlink | 57 | 44 | 95 | - | - | 74 |
| Engie Ltd (Balfour Beatty) | 29 | 29 | - | - | - | - |
| Kier Support Services | 21 | 21 | - | - | - | - |
| Breyers | 8 | 7 | - | - | - | - |
| Mears | 16 | 18 | - | 96 | - | - |
| Greenwich Leisure Ltd | 63 | 52 | 195 | - | - | - |
| WJ Catering | 23 | 10 | - | - | - | - |
| Alliance In Partnership | 3 | 4 | - | - | - | - |
| Sub-total Admitted Bodies | 3,541 | 3,504 | 397 | 186 | - | 207 |
| Totals | 50,422 | 51,746 | 7,082 | 8,399 | 1,745 | 2,308 |

11. Payments to and on Account of Leavers

| 2020/21 £'000 | Payment to and on Account of Leavers | 2021/22 £'000 |
|------------------|--|------------------|
| 79 | Refunds of Contributions | 62 |
| 8,325 | Individual Transfer | 4,456 |
| 8,404 | Total payments to and on account of leavers | 4,518 |

12. Management Expenses

| 2020/21 £'000 | Management Expenses | 2021/22 £'000 |
|------------------|--------------------------------------|------------------|
| 1,442 | Administrative Cost (12a) | 1,464 |
| 983 | Investment Management Expenses (12b) | 1,173 |
| 412 | Oversight and Governance Cost (12c) | 477 |
| 2,837 | Total Management Expenses | 3,114 |

12(a) Administrative Expenses

| 2020/21 £'000 | Administrative expenses | 2021/22 £'000 |
|------------------|--------------------------------------|------------------|
| 1,322 | Employee Cost | 1,354 |
| 120 | Support services | 110 |
| 1,442 | Total administrative expenses | 1,464 |

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

| 2020/21 £'000 | Investment Expenses | 2021/22 £'000 |
|------------------|---|------------------|
| 941 | Management Fees | 1,134 |
| 42 | Custody Fees | 39 |
| 983 | Total investment management expenses | 1,173 |

12(c) Oversight and Governance Cost

| 2020/21 £'000 | Oversight & Governance Cost | 2021/22 £'000 |
|------------------|--|------------------|
| 35 | Performance Management Services | 14 |
| 242 | Advisory Services Fees | 284 |
| 91 | Operation and Support | 99 |
| 19 | Actuarial Fees | 60 |
| 25 | Audit Fees | 20 |
| 412 | Total Oversight & Governance Cost | 477 |

13. Income from Investments

| 2020/21 £'000 | Investment return (Gain/loss) | 2021/22 £'000 |
|------------------|----------------------------------|------------------|
| 4,855 | UK Equities | 6,256 |
| 5,314 | Global & emerging equities | 5,208 |
| 141 | Private equity | (4) |
| - | Private Debt | (139) |
| 4,537 | Property | 5,249 |
| 1,396 | Derivatives | (3,932) |
| 95 | Other investments & Dividends | 253 |
| 2 | Cash | 190 |
| 16,340 | Net returns on investment | 13,081 |

14. Reconciliation Of Movements In Investments and Derivatives

| Investments | Market Value as at 31 March 2021 £'000 | Purchases at cost and derivative payments £'000 | Sale proceeds and derivative receipts £'000 | Change in market value £'000 | Value as at 31 March 2022 £'000 |
|----------------------------|---|---|--|------------------------------------|--|
| Equities | 158,367 | 15,407 | (17,843) | 13,509 | 169,440 |
| Pooled Multi-Asset | 132,289 | - | (22,500) | 4,651 | 114,440 |
| Global & Emerging Equities | 738,032 | 5,235 | (66) | 66,247 | 809,448 |
| Fixed Interest | 75,364 | - | - | 628 | 75,992 |
| Property | 243,594 | 4,571 | - | 34,294 | 282,459 |
| Pooled property - o/seas | 14,899 | 5,644 | (3,037) | 530 | 18,036 |
| Bonds | 166,463 | 176 | (25,000) | (7,951) | 133,688 |
| Private Equity - P.I.V | 16,690 | 419 | (7,939) | 2,517 | 11,687 |
| Private Debt | - | 28,924 | (1,604) | 482 | 27,803 |
| Infrastructure - PIV | 93,127 | 20,914 | (8,014) | 18,558 | 124,585 |
| | 1,638,825 | 81,290 | (86,003) | 133,465 | 1,767,578 |
| Derivatives - Forward FX | (673) | 15,321 | (15,321) | (5,055) | (5,728) |
| | 1,638,152 | 96,611 | (101,324) | 128,410 | 1,761,850 |
| Other Investment & Cash | 23,966 | | | | 22,573 |
| Total Investments | 1,662,118 | | | | 1,784,423 |

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.

14 (a) Investment Detail

| Investment Assets by Type | | 2020/21 | 2021/22 |
|---|--------------------|------------------|------------------|
| | | <i>£'000</i> | <i>£'000</i> |
| Fixed interest securities (valued at Bid Price) | | | |
| Fixed interest securities (valued at Bid Price) | | 73 | 67 |
| Total Fixed interest securities | | 73 | 67 |
| Index -linked | | | |
| UK public sector quoted | | 113 | 121 |
| Total Index -linked | | 113 | 121 |
| Equities (valued at Bid Price) | | | |
| UK quoted | | 125,607 | 142,307 |
| Overseas quoted | | 32,760 | 27,133 |
| Total Equities | | 158,367 | 169,440 |
| Pooled investment vehicles (valued at Bid Price) | | | |
| UK Managed Funds | Property | 243,594 | 282,459 |
| | Pooled Multi Asset | 132,289 | 114,440 |
| | Bond | 166,463 | 133,687 |
| | Fixed interest) | 75,178 | 75,804 |
| Overseas Managed Funds | Other : Equity | 738,032 | 809,448 |
| | Property | 14,899 | 18,037 |
| | Private Equity | 16,690 | 11,687 |
| | Bond: Private Debt | - | 27,803 |
| Infrastructure Investment | | 93,127 | 124,585 |
| Total Pooled investment vehicles | | 1,480,272 | 1,597,950 |
| Other investment balances (valued at Amortised cost) | | | |
| Outstanding dividends & RWT | | 1,334 | 1,542 |
| Derivatives - Forward FX | | (673) | (5,728) |
| Cash deposits : Sterling | | 22,376 | 20,402 |
| Cash deposits : Other | | 256 | 629 |
| Total Other investment balances | | 23,293 | 16,845 |
| Total Investment Assets | | 1,662,118 | 1,784,423 |

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

14 (b) Analysis of derivatives

Derivatives are used to hedge liabilities or hedge exposures to reduce risk to the fund. They are also used to gain exposure to an asset more efficiently than holding the underlying asset.

| Settlement | Currency Code Purchased | Asset Value | Liability Value |
|------------|-------------------------|----------------|------------------|
| | | £'000 | £'000 |
| 3 Months | Euros | | (45,426) |
| | Japanese Yen | | (17,877) |
| | Pound Sterling | 274,022 | |
| | US Dollars | | (216,447) |
| | | 274,022 | (279,750) |

Net Forward FX at 31 March 2022 (5,728)

Net Forward FX at 31 March 2021 (673)

15. Investments exceeding 5% of net assets

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

| Security | Market value 31 March 2021 | % of total fund | Market value 31 March 2022 | % of total fund |
|---|----------------------------------|-----------------------|----------------------------------|-----------------------|
| | £'000 | | £'000 | |
| LBI Self-Managed UK quoted | 120,171 | 7.2% | 136,306 | 7.6% |
| London CIV Pooled - Newton MSCI All Country World | 291,204 | 17.5% | 321,802 | 18.0% |
| Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt | 166,462 | 10.0% | 133,687 | 7.5% |
| Aviva Lime Property UK Unit Trust | 131,173 | 7.9% | 149,466 | 8.4% |
| Threadneedle Pooled Investment Property AREF IPD All Balanced | 84,104 | 5.1% | 104,274 | 5.8% |
| Legal & General Pooled Investment Vehicle | 207,277 | 12.5% | 236,108 | 13.2% |
| Schroders Pooled Investment Multi Asset | 132,289 | 8.0% | 114,440 | 6.4% |
| London CIV RBC EQ RBC Bmk | 165,290 | 9.9% | 180,227 | 10.1% |

16. Current Assets

| 2020/21 £'000 | Current Assets | 2021/22 £'000 |
|------------------|---|------------------|
| 1,919 | Contributions due from Employers & Employee | 2,478 |
| 60 | Sundry Debtors | 50 |
| 2216 | Cash Balances | 3,199 |
| 4,195 | Total | 5,727 |

17. Current Liabilities

| 2020/21 £'000 | Current Liabilities | 2021/22 £'000 |
|------------------|----------------------------------|------------------|
| (226) | Accrued Benefits | (243) |
| (548) | Sundry Creditors | (839) |
| (1,684) | Accrued Expenses | (1,661) |
| (2,458) | Total Current liabilities | (2,743) |

18. Actuarial Position

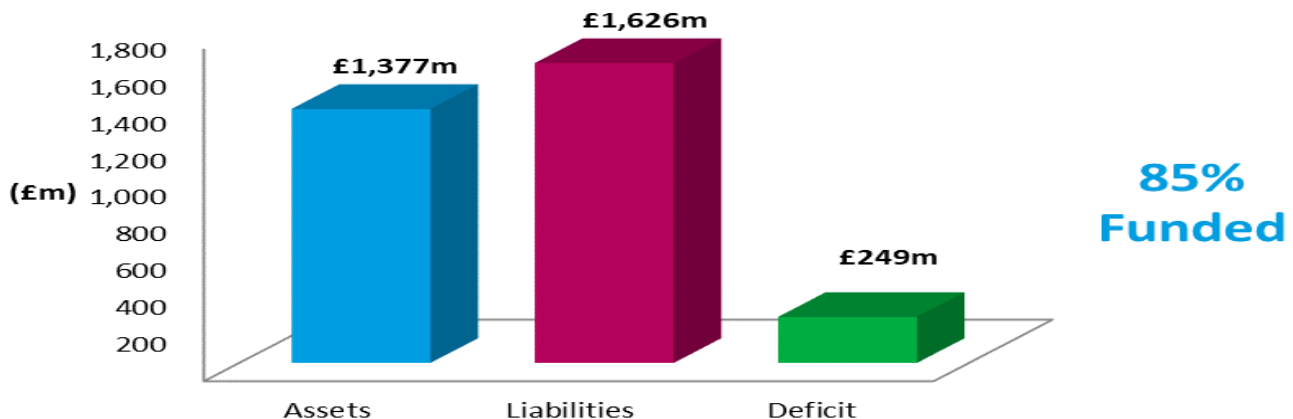
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - STATEMENT BY THE CONSULTING ACTUARY

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

An actuarial valuation of the Islington Council Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £1,377 million represented 85% of the Fund's past service liabilities of £1,626 million (the "Solvency Funding Target") at the valuation date. The deficit at the valuation was therefore £249 million.



The valuation also showed that a Primary contribution rate of 16.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £5.5m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this is predominantly paid in year one with surplus off-sets applying in the subsequent two years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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

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

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

| | For past service liabilities (Solvency Funding Target) | For future service liabilities (Primary rate of contribution) |
|---|---|---|
| Rate of return on investments (discount rate) | 4.2% per annum | 4.65% per annum |
| Rate of pay increases (long term)* | 3.9% per annum | 3.9% per annum |
| Rate of increases in pensions in payment (in excess of GMP) | 2.4% per annum | 2.4% per annum |

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the

overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £6 million and an increase in the Primary Contribution rate of 0.6% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate of £5.5 million per annum shown above).

Impact of Covid 19 / Ukraine

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic and more recently the situation in Ukraine and cost of living crisis. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review and will be considered further as part of the 2022 valuations currently ongoing. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Contributions will be reviewed and updated as part of the 2022 valuation.

In addition the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new regulations on contribution flexibilities introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2022 (the 31 March 2020 assumptions are included for comparison):

| | 31 March 2021 | 31 March 2022 |
|--|----------------|----------------|
| Rate of return on investments (discount rate) | 2.1% per annum | 2.8% per annum |
| Rate of CPI Inflation / CARE benefit revaluation | 2.7% per annum | 3.4% per annum |
| Rate of pay increases* | 4.2% per annum | 4.9% per annum |
| Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation | 2.8% per annum | 3.5% per annum |

* This is the long-term assumption. An allowance corresponding to that made at the latest formal actuarial valuation for short-term public sector pay restraint was also included.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was offset by an increase in the expected long-term rate of CPI inflation increased during the year, from 2.7% p.a. to 3.4%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £2,615 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£54 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£35 million (this includes any increase in liabilities arising as a result of early retirements). There was also a decrease in liabilities of £12 million due to "actuarial gains" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £2,692 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Paul Middleman

**Fellow of the Institute and
Faculty of Actuaries**

Michelle Doman

**Fellow of the Institute and
Faculty of Actuaries**

Mercer Limited

June 2022

20. Additional Voluntary Contributions

These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016. Total contribution paid by members during 2021/22 is £147,129.40 and the value of the fund as at 31 March 2022 is £2m.

| 2020/21 Market Value £'000 | Additional Voluntary Contribution | 2021/22 Market Value £'000 |
|----------------------------------|---|----------------------------------|
| 1,239 | Prudential | 1,767 |
| 173 | Utmost (formerly Equitable life) | 170 |
| 77 | Phoenix Life (formerly NPI) | 73 |
| 1,489 | Total Additional Voluntary Contributions | 2,010 |

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2021/22.

22. Contractual Commitments

The fund has outstanding commitments totalling £167.7m as at 31 March 2022 (£55.8m~31 March 2021). Two private equity fund managers Pantheon Ventures £4.2m and Standard Life £4.1m. One fund of funds private global property manager, Franklin Templeton Fund 1, II and III £41.6m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £0m and £23.1m respectively. Two Private debt managers Churchill Middle Market £44.7m and Permira Credit Solutions £50m.

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2022, the Pension Fund is due from the Islington Council £0.372m (£0.062m~31 March 2021). Full contributions from the council for the year are disclosed in Note 7.

One member of the pension board is in receipt of pensions benefits from Islington Council (Valerie Easmon George) and two who are active members of the fund Mike Calvert and George Shakey. Each member of the pension board and the pension fund committee is required to declare their interest at each meeting. No other declarations were made during the year.

24. Key Management Personnel

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

| 2020/21 | | 2021/22 |
|-------------|--------------------------|--------------|
| £'000 | | £'000 |
| (64) | Short-term benefits | (65) |
| (7) | Post-employment benefits | (55) |
| - | Termination benefits | (20) |
| (71) | | (141) |

*Post-employment benefits are at the state retirement age

25. Risk and Risk Management

The Fund's primary risk is that assets fall short of liabilities in the long term and as a result not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as it biggest risk.

Investment Strategy adopted by the pension sub-committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors managers regularly by performance benchmark and reviews strategies as markets evolve.

Market Risks

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

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk

is managed through the diversification of the portfolio in terms of geographical and industry sector and individual securities. To mitigate market risk, the Council and the Fund's investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

26a. Price and Currency Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices other than those arising from interest rate risk or foreign exchange risk, whether those changes are caused by factors specific to the individual instrument or its issuer or by factors affecting all similar instruments in the market.

The fund is exposed to share and derivative price risk. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure it is within limits specified in the fund investment strategy.

Price risk

In consultation with its investment advisors, the fund has determined that the following movements in market price risk are reasonably possible for 2021/22, assuming that all other variables, in particular foreign exchange rates and interest rates, remain the same:

| Price Risk | Final Market Value as at 31 March 2022 | % Change | Value on Increase | Value on Decrease |
|---------------------|--|--------------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| UK Equities | 196,902 | 15.82% | 228,052 | 165,752 |
| Overseas Equities | 782,787 | 14.05% | 892,769 | 672,806 |
| Total Bonds | 237,482 | 5.78% | 251,208 | 223,755 |
| Pooled Multi Asset | 114,440 | 2.56% | 123,183 | 105,697 |
| Cash | 16,043 | 1.12% | 16,223 | 15,863 |
| Property | 300,497 | 7.64% | 308,190 | 292,804 |
| Infrastructure | 124,585 | 9.08% | 136,545 | 112,625 |
| Private Equity | 11,687 | 9.60% | 12,748 | 10,626 |
| Total Assets | 1,784,423 | 7.18% | 1,912,544 | 1,656,301 |

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

| Price Risk | Final Market Value as at 31 March 2021 | % Change | Value on Increase | Value on Decrease |
|---------------------|--|--------------|-------------------|-------------------|
| | £'000 | | £'000 | £'000 |
| UK Equities | 174,748 | 16.40% | 203,319 | 146,176 |
| Overseas Equities | 723,237 | 14.30% | 826,371 | 620,104 |
| Total Bonds | 241,826 | 5.80% | 255,949 | 227,703 |
| Pooled Multi Asset | 132,289 | 7.90% | 142,793 | 121,786 |
| Cash | 21,707 | 0.70% | 21,861 | 21,553 |
| Property | 258,493 | 2.00% | 263,740 | 253,245 |
| Infrastructure | 93,128 | 7.20% | 99,786 | 86,469 |
| Private Equity | 16,690 | 11.30% | 18,576 | 14,804 |
| Total Assets | 1,662,118 | 8.20% | 1,798,998 | 1,525,238 |

Currency risk

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

| Currency Risk (by asset class) | Final Market Value as at 31 March 2022 £'000 | % Change | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------------|---|--------------|----------------------------|----------------------------|
| Overseas Equities | 782,787 | 6.60% | 834,473 | 731,101 |
| Overseas Private Equity | 11,687 | 6.60% | 12,458 | 10,915 |
| Overseas Infrastructure | 124,585 | 6.60% | 132,811 | 116,359 |
| Overseas Private Debt | 27,803 | 6.60% | 29,639 | 25,967 |
| Overseas property | 18,037 | 6.60% | 19,228 | 16,846 |
| Total Assets | 964,899 | 6.60% | 1,028,609 | 901,188 |

| Currency Risk (by asset class) | Final Market Value as at 31 March 2021 £'000 | % Change | Value on Increase £'000 | Value on Decrease £'000 |
|--------------------------------|---|--------------|----------------------------|----------------------------|
| Overseas Equities | 723,237 | 6.50% | 770,079 | 676,396 |
| Overseas Private Equity | 16,690 | 6.50% | 17,771 | 15,609 |
| Overseas Infrastructure | 93,128 | 6.50% | 99,159 | 87,096 |
| Overseas property | 14,899 | 6.50% | 15,864 | 13,934 |
| Total Assets | 847,954 | 6.50% | 902,873 | 793,035 |

26b. Interest rate risk

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

Interest rate – risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

| Assets Exposed to interest rate risk | Value at 31 March 2022 £'000 | Impact of 1% decrease £'000 | Impact of 1% increase £'000 |
|--------------------------------------|---------------------------------|--------------------------------|--------------------------------|
| Cash and cash equivalent | 20,044 | 19,844 | 20,244 |
| Fixed interest securities | 67 | 66 | 68 |
| Total | 20,111 | 19,910 | 20,312 |

| Assets Exposed to interest rate risk | Value at 31 March 2021 | Impact of 1% decrease | Impact of 1% increase |
|--------------------------------------|------------------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalent | 25,509 | 25,254 | 25,764 |
| Fixed interest securities | 73 | 72 | 74 |
| Total | 25,582 | 25,326 | 25,838 |

26c. Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high-quality fund managers, counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. There is a risk that some admitted bodies may not honour their pension obligations with the result that any ensuing deficit might fall upon the Fund. To mitigate this risk, the Fund regularly monitors receipt of contributions and the state of its admitted bodies.

26d. Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2022, liquid assets were £1,620m representing 91% of total fund assets (£1,537m at 31 March 2021 representing 92% of the Fund at that date).

The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, which gives access to cash dividend income on a regular basis.

27. 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 2022 | | | | |
|---|------------------------|-------------------------------|--|------------------|
| | Quoted Market Price | Using Observable Inputs | With Significant Unobservable inputs | Total |
| Asset Type | Level 1 | Level 2 | Level 3 | |
| | £'000 | £'000 | £'000 | £'000 |
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | | | | |
| UK Equities | 169,440 | - | - | 169,440 |
| Pooled Multi Asset | 114,440 | - | - | 114,440 |
| Global & Emerging Equities | 573,340 | 236,108 | - | 809,448 |
| Fixed Interest | 75,992 | - | - | 75,992 |
| Bonds | - | 133,687 | - | 133,687 |
| Property | - | 282,459 | - | 282,459 |
| Infrastructure | - | - | 124,585 | 124,585 |
| Overseas – Private equity | - | - | 29,724 | 29,724 |
| Private Debt | - | - | 27,802 | 27,802 |
| Derivatives | - | (5,728) | - | (5,728) |
| Cash | 21,031 | - | - | 21,031 |
| Other investments / Dividends | 1,543 | - | - | 1,543 |
| Loans and Receivables | (3,199) | - | - | (3,199) |
| Total Financial Assets | 952,587 | 646,526 | 182,111 | 1,781,224 |
| Financial Liabilities | | | | |
| Financial liabilities at fair value through profit and loss | - | - | - | - |
| Financial liabilities at amortised cost | - | (249) | - | (249) |
| Total Financial Liabilities | - | (249) | - | (249) |
| Net Financial Assets | 952,587 | 646,277 | 182,113 | 1,780,977 |

| Values at 31 March 2021 | Restated Quoted Market Price Level 1 £'000 | Resated Using Observable Inputs Level 2 £'000 | With Significant Unobservable inputs Level 3 £'000 | Total £'000 |
|---|--|---|--|------------------|
| Financial Assets | | | | |
| Financial assets at fair value through profit and loss | | | | |
| UK Equities | 158,367 | | | 158,367 |
| Pooled Multi Asset | 132,289 | | | 132,289 |
| Global & Emerging Equities | 530,754 | 207,277 | | 738,031 |
| Fixed Interest | 75,365 | | | 75,365 |
| Bonds | | 166,462 | | 166,462 |
| Property | | 243,594 | | 243,594 |
| Pooled property - o/seas | | 14,898 | | 14,898 |
| Infrastructure | | | 93,127 | 93,127 |
| Private equity | | | 16,690 | 16,690 |
| Derivatives | | (673) | | (673) |
| Cash | 22,632 | | | 22,632 |
| Other investments / Dividends | 1,335 | | | 1,335 |
| Loans and Receivables | 2,216 | - | - | 2,216 |
| Total Financial Assets | 922,958 | 631,558 | 109,818 | 1,664,334 |
| Financial Liabilities | | | | |
| Financial liabilities at fair value through profit and loss | - | (13) | - | (13) |
| Financial liabilities at amortised cost | - | - | - | - |
| Total Financial Liabilities | - | (13) | - | (13) |
| Net Financial Assets | 922,958 | 631,545 | 109,818 | 1,664,321 |

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. Pooled funds are pooled fund with other institutions and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level 1.

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, 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.

The valuation basis for each category of investment is set out below.

| Description of asset | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|--|------------------------------------|---|
| Level 1 | | | |
| UK equities | The published bid market price on the final day of the accounting period. | Not required | Not required |
| Pooled Multi Asset (Diversified Growth Fund) | Quoted market value based on current yields. | Not required | Not required |
| Other Equities (Global & Emerging) | Quoted market value based on current yields. | Not required | Not required |
| Fixed Interest | Published exchange price at year end. | Not required | Not required |
| Cash Deposits | Carrying value is deemed to be fair value because of the short-term nature of these financial instruments. | Not required | Not required |

| Description of asset | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|--|--|------------------------------------|---|
| Level 2 | | | |
| Pooled Funds: (Global/Emerging equities & Property) | Closing bid price where bid and offer prices are published | Evaluated price feeds | Not required |
| Private equities: (Property) | The NAV for each share class is calculated based on the market value of the underlying equity assets. | Evaluated price feeds | Not required |
| Fixed Interest: (Bond) | Fixed income securities are priced based on evaluated prices provided by independent pricing services. | Evaluated price feeds | Not required |
| Derivatives | Market Forward exchange rates at the year end | Exchange rate risk | Not required |

| Description of asset | Basis of valuation | Observable and unobservable inputs | Key sensitivities affecting the valuations provided |
|---|---|--|--|
| Level 3 | | | |
| Private equities (Infrastructure and Capital market) | Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. | NAV-based pricing set on a forward pricing basis | Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts |
| Private equities: (Property) | Closing bid price where bid and offer prices are published Closing single price where single price published. | EBITDA multiple Revenue multiple Discount for lack of marketability Control premium | Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts |
| Private Debt | Latest available fair value provided by the manager, adjusted for cash movements subsequent to that date as required. | NAV-based pricing set on a forward pricing basis | Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts |

27a. Reconciliation of Fair Value Measurements within Level 3

| Reconciliation of assets within level 3 | Value at 31 March 2021 | Purchases during the year | Sales during the year | Change in market value during the year | Value at 31 March 2022 |
|---|------------------------|---------------------------|-----------------------|--|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Private Equity - o/seas | 31,589 | 6,063 | (10,977) | 3,049 | 29,724 |
| Infrastructure - PIV | 93,127 | 20,914 | (8,015) | 18,558 | 124,584 |
| Private Debt | - | 28,924 | (1,604) | 482 | 27,803 |
| Total Level 3 Assets | 124,716 | 55,902 | (20,595) | 22,089 | 182,111 |

In measuring the level 3 investments it is possible that one or more of the inputs could change, by the valuing manager, to acceptable alternative assumptions and is disclosed in note 5. Different earnings multiple could be used for a comparable company or industry sector for example. Whilst these changes could have a significant change in valuation, that individual change will not necessarily apply to other investments.

A sensitivity analysis on the whole portfolio or class will be inappropriate. Islington does not have a large portfolio of alternatives classed under level 3 and a change in valuation of the level 3 underlying investments will not have a significant impact on the whole portfolio.

28. Investment Assets by Fund Manager

| Investment Assets by Fund Manager | 2020/21 £'000 | 2021/22 £'000 |
|------------------------------------|------------------|------------------|
| LBI In House Fund | | |
| EQUITIES | | |
| UK quoted - LBI self-managed | 120,171 | 136,306 |
| Overseas quoted - LBI self-managed | 32,760 | 27,133 |
| CASH DEPOSITS | | |
| Sterling | 6,187 | 15,349 |
| Other | 6,834 | 1,371 |
| OTHER INVESTMENT BALANCES | | |
| Outstanding Dividends/Tax | 1,280 | 1,515 |
| FIXED INTEREST | | |
| UK | 73 | 67 |
| INDEX-LINKED | | |
| UK | 113 | 121 |
| POOLED FUNDS | | |
| UK | 5,437 | 6,000 |
| Total LBI In House Fund | 172,855 | 187,862 |
| Newton - London CIV | | |
| POOLED FUNDS | | |
| UK quoted | 291,204 | 321,802 |
| CASH DEPOSITS | | |
| Sterling | 11 | 1 |
| Other | 242 | 264 |
| OTHER INVESTMENT BALANCES | | |
| Outstanding Dividends | 54 | 27 |
| Total Newton | 291,511 | 322,094 |
| RCM | | |
| CASH DEPOSITS | | |
| Sterling | 377 | - |
| Other | 7 | - |
| Total RCM | 384 | - |
| Standard Life Bonds | | |
| POOLED INVESTMENT VEHICLES | | |
| Managed funds | 166,462 | 133,687 |
| Pantheon | | |
| POOLED INVESTMENT VEHICLES | | |
| Private equity - overseas | 3,474 | 2,503 |

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| Investment Assets by Fund Manager | 2020/21 £'000 | 2021/22 £'000 |
|--|------------------|------------------|
| Standard Life | | |
| POOLED INVESTMENT VEHICLES | | |
| Private equity - overseas | 13,216 | 9,184 |
| Aviva Lime Property | | |
| UK UNIT TRUSTS | | |
| Property | 131,173 | 149,466 |
| Threadneedle Pensions | | |
| POOLED INVESTMENT: Property | 84,104 | 104,274 |
| Thesis | | |
| POOLED INVESTMENT: Property | 28,317 | 28,719 |
| BNY Mellon | | |
| CASH DEPOSITS : Sterling | 8,976 | 5,052 |
| outstanding fx trades | (673) | (5,728) |
| Total BNY Mellon | 8,303 | (676) |
| Legal & General | | |
| POOLED INVESTMENT VEHICLES | | |
| Managed funds - Equities | 207,277 | 236,108 |
| Franklin Templeton | | |
| Pooled Investment Global Property | 14,899 | 18,037 |
| Schroders | | |
| Pooled Investment Multi Asset | 132,289 | 114,440 |
| BMO | | |
| Pooled Investment Managed Funds - Equities | 74,259 | 71,312 |
| Cash - other | - | (1,005) |
| | 74,259 | 70,307 |
| Pantheon Infrastructure | | |
| Infrastructure | 32,640 | 53,779 |
| Quinbrook Infrastructure | | |
| Infrastructure | 60,487 | 70,805 |
| RBC/ LONDON CIV | | |
| POOLED FUNDS - Equities | 165,290 | 180,227 |
| M&G AOF | | |
| Pooled Investment Managed Funds - Fixed interest (Bonds) | 75,178 | 75,804 |
| CHURCHILL | | |
| Private debt - overseas | - | 27,803 |
| Total Investment Assets | 1,662,118 | 1,784,423 |

Glossary of Financial Terms

Accounting Standards: 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 accounting concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

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

Business Rates (NDR): The rates paid by businesses. The amount paid is based on a rateable value set by the Valuation Office Agency (VOA) multiplied by a national rate in the £ set by the government less any business rates reliefs set by the government. Under the business rates retention system, the council retains 30% of the rates collected and pays over 37% to the GLA and 27% to the government.

Capital Expenditure: Expenditure on the acquisition, construction, enhancement and replacement of council assets such as land, buildings and roads.

Capital Receipts: Income over £10,000 from the sale of a non-current asset.

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 business rates.

Contingent Asset: 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.

Contingent Liabilities: A contingent liability is 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 (1) it is not probable that a transfer of economic benefits will be required to settle the obligation, (2) or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax: A local tax on domestic properties set by the council and the Greater London Authority (GLA). The level is determined by the revenue expenditure requirements for each authority divided by the council tax base for the year.

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

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

Deferred Capital Receipts: This refers to income of a capital nature that will be received in future financial years.

Depreciation: A provision made in the accounts to reflect the value of tangible non-current assets.

Finance Lease: A lease that substantially transfers the risks and rewards of a fixed asset to the lessee. Any lease that is not a finance lease is known as an operating lease.

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

Heritage Assets: A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Revenue Account (HRA): A statutory account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of council housing.

Impairment: A reduction in the carrying value of a non-current asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

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

Levies: Payments that the council is required to make to levying bodies such as the North London Waste Authority, the London Pension Fund Authority, the Environment Agency and the Lee Valley Regional Park Authority.

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 that the council must charge to the General Fund to prudently provide for the repayment of debt.

Movement in Reserves Statement: This presents the movement in usable and unusable reserves.

Net Book Value: The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value, less the cumulative amount provided for depreciation.

Precept: The demand made upon the Collection Fund by the GLA for monies which it requires to finance the services it provides.

Provision: A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits

Prudential Code: Since 1 April 2004, local authorities have been subject to a self-regulatory "prudential system" of capital controls. This gives authorities the freedom to determine how much of their capital investment they can afford to fund by borrowing. The objectives of the Code are to ensure that the local authority's capital investment plans are affordable, prudent and sustainable, with councils being required to set specific prudential indicators.

Related Party Transactions: These are material transactions between the council and another organisation or individual that has a pre-existing relationship with the council. A related party transaction can occur where a councillor or senior officer in the council (or their close family member) has control or joint control or significant influence over the council and is in a similar position in an organisation that transacts with the council. This can include directorships, employment at a senior level or significant financial interests in organisations that have material transactions with the council. Related parties also include the Pension Fund.

Reserves: Local authorities generally hold reserves for three purposes: working balance to help cushion the impact of uneven cash flows, contingency to cushion the impact of unexpected events or emergencies and building up funds to meet known or predicted requirements (including capital expenditure). In addition to

such useable reserves, local authorities have unusable reserves on their balance sheets. These reserves, such as the Pension Reserve and Capital Adjustment Account, hold costs that the authority has accrued but not yet financed and cannot be spent on council services.

Revenue Expenditure: Day to day expenditure on the running of council services including salaries, wages, contract payments, supplies and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (REFCUS): Legislation in England allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a non-current asset. Examples include works on property owned by other parties, renovation grants and capital grants to other organisations.

Revenue Support Grant (RSG): The main government grant paid to local authorities to support revenue expenditure.

Settlement Funding Assessment: This comprises Revenue Support Grant and the amount of retained business rates that the government expects the council to collect.

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

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