



ISLINGTON

**AUDITED
STATEMENT OF ACCOUNTS
2000/01**

FOREWORD

The statement of accounts sets out the financial position of the authority as at 31 March 2001, as well as the financial transactions, which took place during the year 2000/2001. The budget was set in February 2000 at a full Council meeting. The Council now has a process where from the 2001/02 financial year the budget setting and Corporate Plan are agreed at the same February Council meeting. The Council produces a number of performance indicators, which are set out in the Performance Plan, together with the planned Best Value Review programme. This is updated on an annual basis and published in the Spring. In addition, the Council is currently working to agree a Community Strategy with its local partners in the current financial year.

1. The Council's accounts for the financial year 2000/01 are set out on the following pages.

They comprise:-

- . The Consolidated Revenue Account - the Council's General Fund income and expenditure.
- . The Housing Revenue Account -which shows revenue income and expenditure on Council housing.
- . The Collection Fund - which covers the collection and application of monies received via the Council Tax, National Non -Domestic Rate and residual community charge.
- . The Consolidated Balance Sheet-which sets out the financial position of Council on 31 March 2001.
- . The Total Movements in Reserves - which reconciles the changes in the capital and revenue reserves over the financial year.
- . The Cash Flow Statement - which summarises the movements in Council cash balances during the year.
- . The Pension Fund -shows the operation of the Council's pension fund.

The Statement of Accounting Policies explains the framework within which the various areas of the accounts have been prepared.

2. This foreword provides a brief explanation of the financial aspects of the Council's activities and draws attention to the salient points of the Council's financial position .

Consolidated Revenue Account

At the time of setting the 2000/2001 budget the Council became aware of a significant potential resource gap within the Social Services Department. It took a number of weeks to investigate and recreate base activity data levels, in order to accurately forecast the resources required. Consequently during the year the Council had to address finding an additional £5.2m for Social Services. Social Services Committee themselves found £1.5m. Services made reductions of £165m and a decision was taken to reduce the contribution to balances by £1.3m and use £0.75m of the contingency.

During the year it was anticipated that there would be an overspend of £2.3m. However, this position worsened at final closedown. The accounts include a £1.7m loss in respect of Islington Building Services. This was a trading operation, which was sold and transferred to Caxtons at 1 October. The closedown highlighted a number of one-off charges, which had to be made to the accounts. Two further large and significant changes to the accounts relate to a £1.1m overspend in Environment and Conservation. However, £0.7m of expenditure normally charged to revenue has been capitalised. Total capitalisation was some £3.2m.

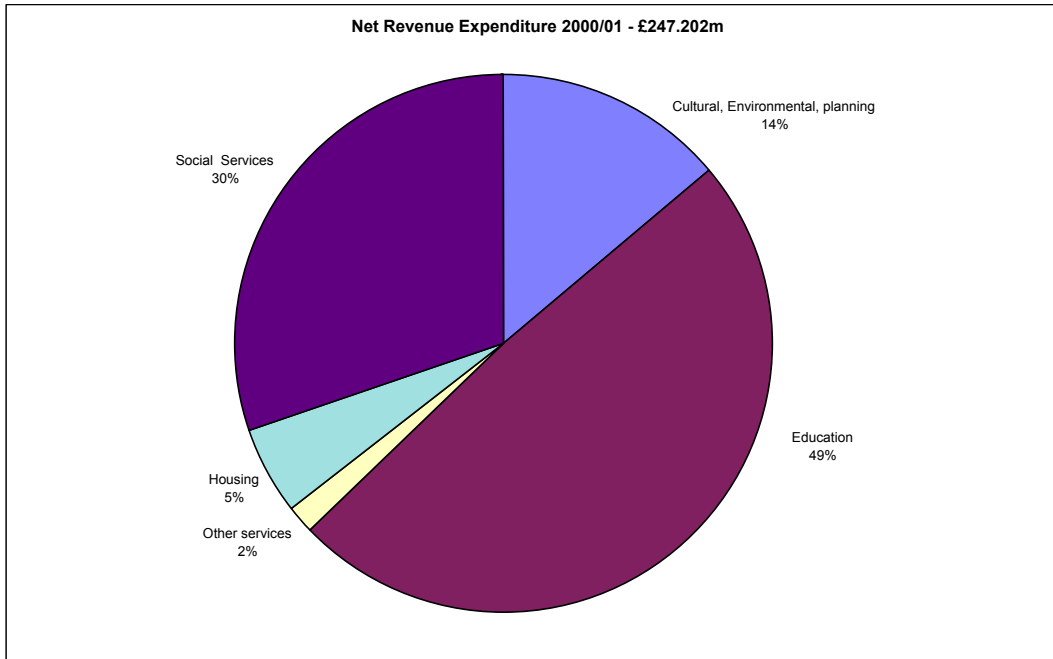
The original budget before contribution to balances for 2000/01 was set at £ 243.8 m . This was increased to £245.1m, the increase being funded by reducing balances. The increase was required to offset a social services overspend. Actual expenditure for the year totalled £245.1m, producing an overspend of £0.05m, which has reduced balances. The make up of this underspend was as follows:

	(Under)/Over
Service Expenditure	1,735.0
Islington Building Services	1,698.0
Levies	(84.0)
Capital Financing (AMRA)	(294.0)
Insurance Fund	(1,200.0)
Bad Debt Provisions	2,696.0
Contingencies	(2,591.0)
Contribution to Balances	(1,960.0)
2000/2001 underspend	0.0

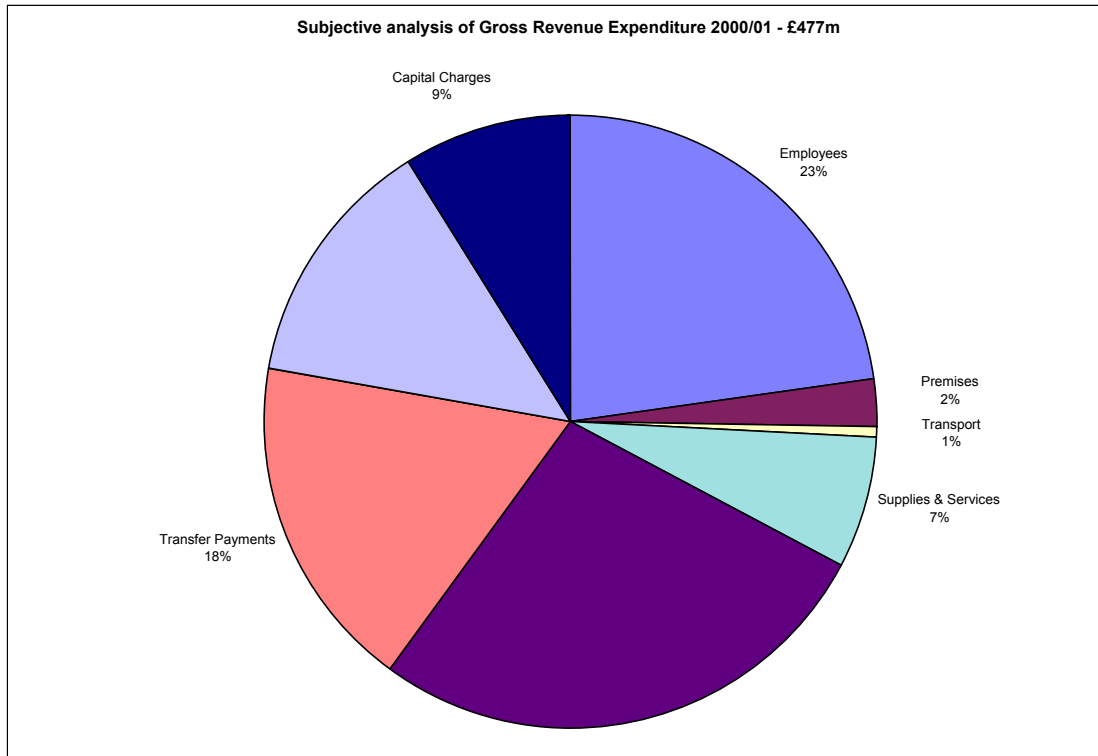
The Council's position at the year end is as follows:

	31 March 2000	31 March 2001
	£m	£m
General Fund	2.581	2.533
Schools	3.009	4.496
Total	5.590	7.029

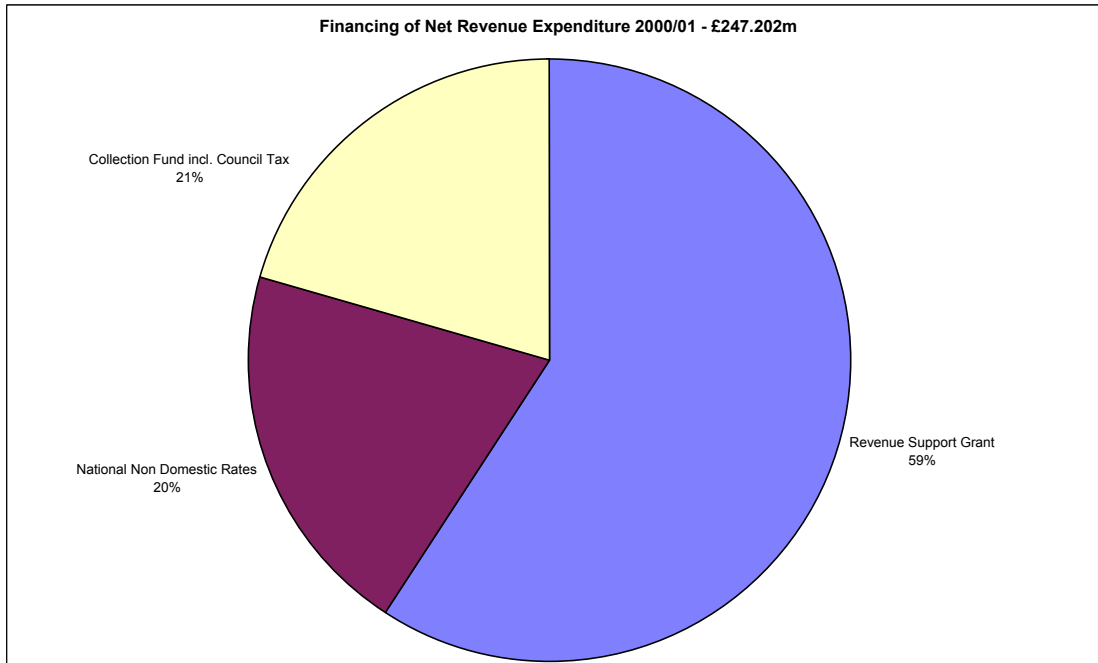
A breakdown of net revenue expenditure is shown below :



A subjective analysis of gross revenue expenditure, excluding internal recharges and income (but not capital charges) is shown in the following pie chart. The total for 2000/01 was £477m .



Net Revenue expenditure was financed as follows:



Housing Revenue Account (HRA)

The HRA at 31 March 2001 is £1.501m in surplus. This is an improvement on the brought forward position of £1.001m, and £0.561m in 1999/00, as set out below:-

Description	Original Budget £000	Actual £000
Expenditure	242,957	233,833
Income	(243,461)	(234,333)
(Surplus)/Deficit	(504)	(500)
Balances b/f	(646)	(1,001)
Closing Balance	(1,150)	(1,501)

Housing Association Outstanding Balances

As at 31.3.01 the Council had a capital debtor for Housing Associations totalling £0.087m made up of £0.022m of mortgages and £0.065m of outstanding capital sums.

Capital Programme

In 2000/01 the Council's capital programme amounted to £66.097m. This was financed by borrowing (£29.142m), sale of assets (£23.56m), government grants (£3.980m), revenue financing (£4.565m) and other contributions (£4.851m). The Council's capital programme was split £43.360m on Council Housing (HRA) and £22.737m on General Fund related expenditure. The Council's level of borrowing is controlled by credit approvals it receives from the Government and it primarily borrows from the Public Works Loans Board.

Financing of capital expenditure is set out in note 1b to the Consolidated Balance sheet on page 25.

The breakdown of expenditure by service is shown overleaf. The main schemes cover a wide range of projects including maintenance and improvement of housing stock, maintenance of school buildings and other buildings and urban regeneration schemes such as:-

Housing Revenue Account:

New River Green	Complete redevelopment of the old Marquess Estate in partnership with DETR and Southern Housing Association. Spend in 2000/01 was £6.342m covering demolition, road building and refurbishment
Naish Court dowry	Naish Court was transferred to Guinness Trust on 5 February 2001 to redevelop. Islington gave a dowry of £5m with a further SRB grant of £1m. The Housing Association will be investing £13m of its own resources.
Harvist Estate	Major refurbishment of the Estate using LBI resources and major contribution from the DETR's Estate Action Programme. Spend on phase 4 and remainder of previous phases totalled £0.9m in 2000/01.
Braithwaite Hse & Brunswick Hse	Complete refurbishment of the blocks. Spend in 2000/01 was £2.7m on Brunswick and £0.8m on Braithwaite.
Packington Square	Replacement of roofs, external repairs and security works. Spend in 2000/01 was £1m.

General Fund:

Islington Arts & Media School	Phased refurbishment of the whole school, jointly funded using the DFEE's New Deal for Schools. Spend in 2000/01 was £2m.
Holloway School	Refurbishment of Admin Block, new link block and technology block. Spend in 2000/01 was £1.5m.

Belmore House Complete refurbishment of the Sheltered Block for Older People.
Spend in 2000/01 was £1m.

Essex Road Offices Full refurbishment to provide modern "ideal" office accommodation for a boroughwide
Social Services, Children and Families Service. Spend in 2000/01 was £0.7m.

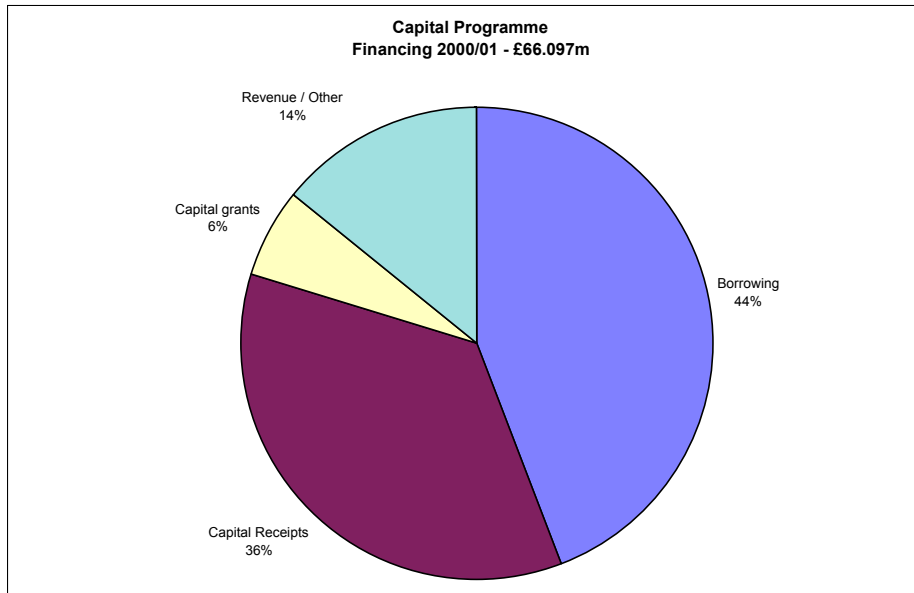
Details of major capital schemes are set out in note 3 of the Consolidated Balance Sheet (capital commitments) on Page 27

The overall new borrowing in 2000/01 was £29.142m comprising the following :

	£m
. Basic credit approvals for general purposes (annual capital guideline of £29.400m less receipts taken into account of £1.578m) .	27.822
. Supplementary credit approvals given for specific purposes	2.977
. Credit for net repayments to other local authorities	(1.657)
 Total	 <u>29.142</u>

At 31st March 2001 total external borrowing mostly from the Public Works Loans Board was £784.3m comprising £755.8m long term borrowing and £28.5m short term borrowing.

Financing of capital expenditure in 2000/01 is illustrated below:-



Schools Balances

Balances held by schools were £3.009m at the start of the year and £4.496m at the end of the year, an increase of £1.487m.

Best Value Accounting Code of Practice (BVACOP)

These accounts have where possible been prepared in compliance with BVACOP. This code modernises the system of local authority accounting and reporting to ensure that it meets the changed and changing needs of modern local government.

Public Finance Initiative

The Council has a PFI Scheme in place in relation to refuse collection, street cleansing and vehicle fleet management. The Council's PFI partner in relation to this scheme is ICSL. The Value of the scheme is £12m per annum for the next 12 years.

The Council is currently undertaking a procurement process for PFIs to the tune of £20m relating to street properties within the Housing Revenue Account.

The Council is also at the procurement stage for a PFI scheme for Street Lighting worth £10.5m .

Future Developments : -

* Potential changes to the Local Government Revenue Support Grant Scheme both in terms of the resources allocated to this Council (which could well be reduced), and the significant changes in the Education Grant regime.

* The Council is pursuing the set-up of a care trust with the NHS. Further PFIs will also have a significant affect on the resources available to the Council.

* The Council is currently developing a new Medium Term Financial Strategy (MTFS) for the years 2002/03 to 2005/06. There are a number of key decisions that need to be taken as a result of this. The Capital Strategy is continuing to review the Council's property portfolio to ensure maximisation of resources into the long term.

Statement of Responsibilities for the Statement of Accounts

a) *The Council's Responsibilities*

The Council is required to:

- . Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In Islington Council that officer is the Director of Finance and Property Services (DFPS).
- . The Council is further required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

b) *The Director of Finance and Property Services' Responsibilities*

The Director of Finance and Property Services is responsible for the preparation of the Council's Statement of Accounts which, under the terms of the CIPFA Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at 31st March 2001 and its income and expenditure for the year ended 31st March 2001.

In preparing this Statement of Accounts, the DFPS has :

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

The DFPS has also :

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

Certificate by Director of Finance and Property Services

I certify that this Statement of Accounts presents fairly the financial position of the London Borough of Islington as at 31st March 2001 and income and expenditure for the year ending on that date.

Mary Hawkins CPFA
Director of Finance and Property Services

14th September 2001

AUDIT OPINION

It has not been possible to obtain the auditors opinion on the accounts for 2000/01 in time for this publication

A second edition will be published including the auditor's opinion as soon as it is available

STATEMENT OF ACCOUNTING POLICIES

General Principles

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain which is recognised by statute as representing proper accounting practices. The Council complies with all Financial Reporting Standards (FRS) relating to Local Government as set out in the 1999 Code of Practice - A Statement of Recommended Practice as well as FRS8 relating to Related Party Transactions. The Council also complies in all cases with guidance notes produced by the Accounting Standards Board and the Chartered Institute of Public Finance and Accountancy.

Consolidated Revenue Account

The service level summary shown in the Consolidated Revenue Account does not comply with the service level analysis recommended in the Code of Practice. It is the Council's considered opinion however that the service level summary shown is an appropriate reflection of existing committee structures although it does not comply with the Code.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases which have been capitalised and included in the Consolidated Balance Sheet on the basis of the outstanding obligation to make future rental payments. Operational assets have been included in the Consolidated Balance Sheet at the lower of net current replacement cost and net realisable value in existing use. Non-operational assets have been included in the Consolidated Balance Sheet at the lower of net current replacement cost and net realisable value.

The fixed asset values used in these accounts are based upon a certificate issued by the Council's Property Service Manager as at 1 April 1998. Additions since that date are included in the Accounts at their cost of acquisition (see the Notes to the Consolidated Balance Sheet from Page 24).

All assets are revalued every 3 years. The Council's Property Services Manager has set minimum values below which assets are not valued.

Private Finance Initiative assets are included in the Balance Sheet if the Council owns the freehold but at a reduced valuation to reflect that the risks and rewards of ownership of a lease rests with the service provider..

All other operating assets are valued at lower of net current replacement cost and net realisable value in existing use.

Investment properties are included in the balance sheet at open market value.

Infrastructure and community assets are included in the balance sheet at historic cost net of depreciation.

Depreciation

In accordance with FRS 15 and the Best Value Accounting Code of Practice 2000 the Council has depreciated all of its operational assets. The latest code requires all assets to have separate valuations for land and buildings as in the main only buildings require depreciating. Also each asset needs to have an assessment of its outstanding useful life to enable an individual depreciation charge for each asset.

However it has not been possible to revalue the Council's assets during 2000/01, but interim arrangements have been agreed with the District Auditor to enable reasonable depreciation charges to be calculated. These are:

	Straight Line	Reducing Balance
	Years	%
Buildings (where appropriate)	20-60	2
Infrastructure	-	5
Mobile Plant	5-10	-
Motor Vehicles	5	-

General Fund Operational Assets

Calculated using latest valuation and 40 years useful life for all assets.

General Fund Infrastructure Assets

Depreciation charge remains at 5% of historic asset value.

Housing Operational Assets

Depreciation remains at 2% of latest valuations. These assets are being revalued in 2001/02 as part of the Housing Revenue Account Resource Accounting changes.

Capital Charges

The capital charges made to the Consolidated Revenue Account (including central support services) equate to the sum of depreciation plus a notional interest charge based on the net amount at which the fixed asset is included in the Consolidated Balance Sheet at 31st March 2001. The notional rates of interest used are 6% for those fixed assets included in the Consolidated Balance Sheet at current value and 6% for infrastructure assets and community assets which are included in the Consolidated Balance Sheet at historical cost.

Deferred Charges

Deferred charges represent expenditure which may properly be deferred but which does not result in or remain matched with tangible assets.

Basis of Provision for Redemption of Debt.

Principal repayments are based on 2% of outstanding debt for Housing properties and 4% for other services. These are in accordance with the minimum revenue provision laid down in the Local Government and Housing Act 1989. Interest is charged to the Asset Management Revenue Account (AMRA).

Sale of Fixed Assets

Capital receipts received in the year are allocated between usable and reserved proportions. The usable proportion is available to finance new capital expenditure. The reserved proportion is required to be set aside as Provision for Credit and Liability (i.e. to repay debt) and is transferred to the Capital Financing Reserve. All General Fund receipts are now 100% usable and none set aside whilst 75% of the receipts from council house sales and 50% of other housing receipts must be set aside for debt repayment.

Government Grants

Government grants are accounted for on an accruals basis and income has been credited in the case of revenue grants to the appropriate revenue account, in case of capital grants to a Government Grants Deferred Account to offset any provision for depreciation charged to the Consolidated Revenue Account in respect of assets to which the grants relate.

Work-in-Progress, Stocks and Stores

a) Issues of goods from stores are charged on the basis of latest invoice price and surpluses arising from the difference between this and actual purchase price are credited to the General Fund. Stock valuation policy is not in compliance with SSAP 9 (Valuation at Cost) but the impact of this is not considered to be material. SSAP 9 requires stock to be valued on the basis of the lower of cost or net realisable value.

b) Work-in-Progress is valued at estimated cost of uncompleted jobs and relates to the Council's DLO activities.

Basis for inclusion of Debtors and Creditors

Income and expenditure are accounted for in the year in which they arose by the creation of debtors and creditors including estimates where appropriate.

Internal Interest

Interest is credited or charged to the General Fund and Housing Revenue Account based on the level of their Fund balances and cashflows.

Provisions

The Council sets aside sums of money to cover future known or anticipated liabilities, on the basis of the best possible estimates at the time the statements are prepared. When the anticipated liability materialises the expenditure is charged against the provision it relates to.

Reserves

The Council's reserves are mainly resources which are not required for specific purposes but are set aside for general contingencies and cashflow management purposes.

The Council has not accrued for 1999/2000 for wages paid after the year end but they were not material in terms of presenting fairly the financial position of the authority.

Fuller details of the reserves and provisions are contained within note 9 to the Consolidated Balance Sheet on Page 24.

Relationships with Other Companies

The Council has relationships with a number of companies, details of which appear in the Notes to the Consolidated Balance Sheet.

Group Accounts

Summarised group accounts incorporating Islington Development and Economic Agency Ltd, Islington Training Centre Ltd, and Islington Information Technology Centre have not been prepared as the amounts involved are not material.

Extent to which Central Administrative Expenses are Allocated

Most central administrative expenses are allocated over the various services. They are apportioned over services on the basis of time spent by officers on those services. The cost of administrative buildings and data processing are charged to the services on the basis of usage. The cost of democratic processes and miscellaneous financial expenses such as audit fees have not been allocated.

PFI

Government grant received in respect of PFI schemes is carried forward to the extent that this is required to match with contract expenditure as a corporate provision.

Consolidated Balance Sheet

The Consolidated Balance Sheet aggregates the balance sheets of the Council's separate funds, with the exception of the Pension Fund. Although they are not Council resources, trust funds and amounts held on behalf of private residents are included in the Consolidated Balance Sheet as the amounts concerned are not considered material.

Pensions

The Council participates in three different pension schemes which meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service.

The schemes are as follows :

a) *LBI Employees*

Employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme, which is a funded scheme. This scheme works on the basis that pensions paid to former employees are funded from the contributions paid by both employer and employee over the working life of the employee. Further costs arise in respects of certain pensions paid to retired employees on an unfunded basis. Details of the Council's Pension Fund are given on Pages 37 to 45.

b) *Teachers*

This is an unfunded scheme administered by the Department for Education and Employment. The pension cost charged to the accounts is the contribution rate set by the DFEE on the basis of a notional fund.

c) *London Pension Fund Authority*

This is a funded scheme administered by the LPFA whose members work for the Council and were former employees of the Inner London Government Pension Scheme.

The pensions costs recorded in the accounts in respect of all these schemes have been determined in accordance with relevant Government regulations. As a result ,the Council does not comply with the accounting requirements of SSAP 24 "Accounting for Pensions Costs", and the liabilities included in the Balance Sheet are understated in respect of pension costs.

The Pension Fund contributions have always been funded from the General Fund. During 2000/01 the DTLR agreed to allow local authorities to make capital contributions to the Pension Fund for the first time. This approval is for a four year period 2000/01 to 2003/04. Islington Council has been given approval to contribute up to £60.135m during this period.

Accounting Treatment and Disclosure of Year 2000 and Euro Costs

The Council is following CIPFA and Audit Commission advice where any costs related to year 2000 or the Euro have been written off to revenue in the year in which they are incurred.

Leased Assets

The Council has ceased to use leasing arrangements to obtain assets such as vehicles and computers since 1999/00. This is due to the high cost in maintaining the contracts and also with the general increase in capital resources now available. Existing leases are still being maintained until their normal termination.

CONSOLIDATED REVENUE ACCOUNT 2000/01

Net Expenditure 1999/2000 £ 000	Gross Expenditure 2000/01 £ 000	Gross Income 2000/01 £ 000	Net Expenditure 2000/01 £ 000
Central services to the public	6,669	5,061	1,609
Cultural, environmental and planning services	51,828	17,308	34,520
Education Services	167,338	47,066	120,272
Highways, roads and transport services	16,723	9,113	7,610
Housing services	56,572	43,118	13,453
Social services	123,920	49,297	74,623
Exceptional costs of social services legal settlements			
Corporate and democratic core	5,729	815	4,914
Unapportionable central overheads	5,434	0	5,434
Net Cost of General Fund Services	434,213	171,779	262,434
Parish council precepts			
Contribution to council tax benefit costs arising from subsidy limitation			
Surpluses / deficits on trading undertakings	28,579	26,881	1,698
Asset management revenue account		34,087	(34,087)
Losses on the repurchase of borrowing Investment losses			
Other operating income and expenditure	83,075	73,018	10,057
Net Cost of General Fund Services	545,867	305,765	240,102
Housing Revenue Account	233,833	234,333	(500)
Net Cost of Services	779,700	540,098	239,602
Transfer to HRA balances			500
Transfer to insurance reserve			
Transfer to Corporate Provisions			4,570
Transfers from other earmarked reserves			
Capital expenditure financed from revenue			
Interest and investment income			915
Amount to be met from government grants and local taxation			245,586
General government grants			(146,459)
Non domestic rates redistribution			(49,674)
Demand on the Collection Fund			(51,545)
Transfers (from) / to the Collection Fund in respect of surpluses / deficits			654
Net General Fund (surplus) / deficit			(1,438)
Balance at start of year			(5,591)
BALANCE AS AT 31 MARCH			(7,029)
(General Fund balance attributable to schools budgets)			(4,496)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

1. Trading Undertakings

a) External Trading operations

The Council operated two external trading services in 2000/01 and the financial results were as follows:

	2000/01	1999/2000
	£000	£000
Industrial Estates		
Turnover	2,988	2,895
Surplus / (Deficit)	344	737
	2000/01	1999/00
	£000	£000
Street Markets		
Turnover	483	494
Surplus / (Deficit)	0	68

b) Internal Trading operations

The Council operated the following internal trading services in 2000/01 and the financial results were as follows:

	2000/01	1999/2000
	£000	£000
School Catering		
Turnover	5,060	5,053
Surplus / (Deficit)	(1)	94
	2000/01	1999/00
	£000	£000
Highways		
Turnover	3,647	2,171
Surplus / (Deficit)	(180)	(92)
	2000/01	1999/2000
	£000	£000
Parking Enforcement		
Turnover	1,555	967
Surplus / (Deficit)	135	(96)
	2000/01	1999/00
	£000	£000
Grounds Maintenance		
Turnover	605	1,017
Surplus / (Deficit)	(27)	2
	2000/01	1999/00
	£000	£000
Islington Building Services		
Turnover	12,543	21,199
Surplus / (Deficit)	(1,969)	813

2. Asset Management Revenue Account and other financing adjustments

	2000/01	1999/2000
	£000	£000
Income :		
Capital charges -General Fund	(41,151)	(30,650)
Capital charges -Housing Revenue Account	(84,151)	(89,675)
Government Grants Deferred	(525)	(417)
	<u>(125,827)</u>	<u>(120,742)</u>
Expenditure:		
Provision for Depreciation	36,053	27,507
External Interest	73,755	77,254
Finance Lease Interest	0	1,414
	<u>109,808</u>	<u>106,175</u>
Asset Management Revenue Account (AMRA)	(16,019)	(14,567)
Capital Appropriations & other financing adjustments	(18,068)	0
Total AMRA and other financing adjustments	(34,087)	(14,567)

3. Levies

	2000/01 £000	1999/2000 £000
London Pensions Fund Authority	1,293	1,267
North London Waste Authority	3,503	3,284
Environment Agency	962	935
Coroners Court	160	159
Urban Traffic Control	175	171
London Boroughs Grants Scheme	711	708
Lee Valley Regional Park Authority	175	172
Total Levies	6,979	6,696

4. Miscellaneous Income

	2000/01 £000	1999/2000 £000
Adshel	10	(1,865)
Housing Associations	(707)	(783)
London Electricity Board Refund	0	(94)
Other	(100)	(624)
	(797)	(3,366)

5. Contributions to fund Corporate Provisions

These are as follows :

	2000/01 £000	1999/2000 £000
Insurance Fund Provision	0	695
Bad Debt Provisions	3,996	2,100
PFI Provisions	574	382
Swaps Provision	0	23
	4,570	3,200

Other contributions to fund service Provisions have been met from the net cost of services.

6. Collection Fund

Council Tax and Business Rates income and expenditure are dealt with in a separate account within the Council's consolidated accounts known as the Collection Fund+A49 (See Page 13).

The Figures in the Consolidated Revenue Account relate to Islington's own call on the Collection Fund, and a contribution to previous years deficits on the collection fund.

7. Section 137 Expenditure

Legislation requires that local authorities can only do things for which they have specific legal power . Any other action or expenditure is deemed "*ultra vires*" or outside their power. However, Section 137 of the Local Government Act 1972 as modified by the Local Government and Housing Act 1989 enables a local authority to spend up to £3.55 per head of population for the benefit of the people in the area on activities or projects not specifically authorised by other powers.

Expenditure by Islington under S.137 was as follows :

	2000/01 £000	1999/2000 £000
£3.55 per head of Population -Spending Limit	626	628
Expenditure	21	25
This was made up as follows :		
Policy Committee	13	13
Race Equality Committee	5	5
Administration costs related to the above expenditure	4	7
	22	25

8. Agency Services

The Council carries out certain work on an agency basis for which it is fully reimbursed. The principal areas of work are:-

- a) As highways agents for the Department of Transport in respect of trunk roads the Council carries out repairs and maintenance, snow clearing, street cleansing and lighting.
- b) Work to sewers on behalf of Thames Water.

These agreements have now finished and no agency work was carried out in 2000/01

The expenditure was as follows :

	2000/01 £000	1999/2000 £000
Trunk Roads	0	76
Sewers	0	1
Total Agency Services	0	77

9. Expenditure on Publicity

In accordance with Section 5 of the Local Government Act 1986, net expenditure on the relevant areas of publicity was as follows :

	2000/01 £000	1999/2000 £000
Communications Unit	473	726
Other Costs	611	417
Total	1,084	1,143

10. Leased Assets - Rentals

The Council ceased using operating leases as a method of funding in 1999/2000. No new leases have been entered into since 1998/99 although some existing contracts are extended. It is currently anticipated that the Council will have no lease rentals to pay from 2005/06 onwards

	2000/01 Finance Leases £000	2000/01 Operating Leases £000	Total £000
Rentals paid in 2000/01	3,166	3,775	6,941
Outstanding Undischarged Leasing Obligations :			
2001/02	23	1,521	1,544
2002/03	23	813	836
2003/04	1	109	110
2004/05	0	8	8
Total Outstanding Undischarged Lease Obligations	3,213	6,226	9,439

11. Minimum Revenue Provision

	2000/01 £000	1999/2000 £000
Non-Housing Revenue A/c -4% of Credit Ceiling	3,317	3,600
Housing Revenue Account -2% of Credit Ceiling	14,206	14,531
	17,523	18,131
Amount Charged as Depreciation	36,053	27,508
Credit to Consolidated Revenue Account	(18,393)	(9,377)
	17,660	18,131

12. Capital Financing Appropriation

	2000/01 £000	1999/2000 £000
Minimum Revenue Provision Adjustments	(18,393)	(9,377)
Deferred Purchase -Principal	11,500	10,500
Less recharge to HRA	0	(10,009)
Less Recharge to Capital	(10,963)	(491)
Finance Leases - Principal	(500)	1,616
Deferred Charges and Other Adjustments	526	417
	(17,830)	(7,344)

13. Pensions Costs

a) LBI Employees

In 2000/01 the Council paid an employer's contribution of £10.847m into the Pension Fund, representing 14.37% of pensionable pay. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at 31 March 1998. Under Pension Fund Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund, but contribution increases are being phased in over six years. The next triennial valuation is currently being undertaken by the Council's actuary based on the position as at 31st March 2001

In addition the Council is responsible for all pensions payments relating to added years benefits it has awarded, together with the related increases. In 2000/01 these amounted to £1.82m, representing 2.41% of pensionable pay

The Fund's actuary has advised that the pension costs that it would have been necessary to provide for in the year in accordance with SSAP 24 "Accounting for Pension Costs" are 245% of employee contributions. The amount involved is estimated to be £ 14.8m.

b) Teachers

In 2000/01 the Council made a contribution to the Department for Education and Employment in respect of teachers' pension costs. The contribution is not yet finalised but will be reported in the audited accounts. In addition the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2000/01 these amounted to £0.34m .

c) London Pension Fund Authority

In 2000/01 the Council paid no contribution to the LPFA in respect of pension costs
The Council made payments of £0.08m in respects of added years, representing 3.81% of LPFA members', pensionable pay.

Further information can be found in the Notes to the Pension Fund, beginning on Page 42.

14. Parking Control

The Council is obliged to keep a separate account for Parking Control, and this is detailed in the table below:

	2000/01 £000	1999/2000 £000
Expenditure	4,698	2,890
Income	(7,235)	(5,812)
(Surplus)	(2,537)	(2,922)

The surplus on this account contributes to the cost of expenditure on Concessionary Fares within the Consolidated Revenue Account.

15. Emoluments

The number of employees whose taxable remuneration was £40,000 or more, in bands of £10,000 were:

Remuneration Band (£000)	Number of employees	
	2000/01	1999/2000
40-49	77	58
50-59	24	15
60-69	9	5
70-79	4	3
80-89	0	0
90-99	0	0
100-109	1	1
Total	115	82

16. Members Allowances paid during the year

In 2000/01 the total amount paid as allowances to Members of the Council was £ 429k.

17. Local Management of Schools Balances

The opening balance as at 1st April 2000 was £3009k and the closing balance at 31st March 2001 was £4496k representing an increase in balances of £1487k.

18. Related Party Transactions

Financial Reporting Standard number 8 (FRS 8) requires the Council to disclose transactions with Councillors and Senior Officers and /or organisations in which they are deemed to exercise control or significant influence. Significant influence is deemed to exist where significant shareholdings, partnership interests or policy making roles are held either directly or through close family members. Transactions have been disclosed in respect of 44 out of 52 councillors who provided details of transactions.

There were no related party transactions that fall within the scope of FRS 8 other than those below:

Transactions with Organisations - Councillors and Senior Officers

During the year the Council made payments in excess of £5,000 to the following organisations with which Councillors or Senior Officers had relationships falling within the scope of FRS 8 (see overleaf).

Organisation	Name of Councillor	Relationship	Payment £000
Assisted Living	Cllr D Scott	Director	631
Business Link City Partners	Cllr D Sawyer	Director	168
Business Link London Ltd	Cllr D Sawyer	Director	150
Caxton Islington	N Sharman (officer)	Director	9,242
Centrepoint	B Simons (officer)	Management Cttee.	21
Chartered Institute of Housing	Cllr S Camp	Consultancy work	5
Circle 33 Housing Trust	Cllr R McCourt	Area Cttee. Member	1,669
City University	Cllr D Sawyer	Director	300
City & Islington College	Cllr R McKenzie	Director	1,136
Copenhagen Youth Trust	Cllr I Perry	Management Cttee.	8
Crime Concern	Cllr D Sawyer	Management Cttee.	132
Islington Enterprise Agency	Cllr D Sawyer	Director	140
Islington International Festival	Cllr D Sawyer	Director	148
Islington Law Centre	Cllr M Boye-Anawomah	Management Cttee.	262
Islington Museum Trust	Cllr D Sawyer	Management Cttee.	25
Islington Voluntary Action Council	Cllr P Haynes	Management Cttee.	184
London Waste Ltd	Cllr I Perry	Director	86
Nafsiyat Ltd	Cllr T Karim (family)	Board Member	41
New Finsbury New Deal	Cllr J Vaja	Management Cttee.	5
North Islington Education Action Zone	Cllr J Kempton	Director	5
Patchwork Community Housing Assoc	Cllr R McCourt	Manager	419
Renaisi	N Sharman (officer)	Director	79
Sadlers Wells Trust	Cllr R Heseltine	Governor	119
Ujima Housing Association	B Simons (officer)	Management Cttee.	12
Victoria County History	Cllr D Sawyer	Management Cttee.	83

Transactions with Organisations - Other

a) Grants to Voluntary Organisations

The Council made the following grants to voluntary organisations relating to main service areas:

Service Area	Total £000
Regeneration	5,642
Education	2,835
Environment & Conservation	155
Social Services	79
Housing	69
Finance & Property	49
Corporate Strategy	24
Total	8,853

b) Transactions with outside bodies

The Council had the following transactions with outside bodies under FRS 8 not disclosed elsewhere:

Organisation	Total £000
Aquaterra	1,005
Cambridge Education Associates	18,004
Camden & Islington Health Authority	145
IT NET	9,367

19. Year 2000 and Euro Costs

No expenditure was incurred in 2000/01 relating to Year 2000 costs.

No material expenditure was incurred in 2000/01 in respect of preparation for the Euro.

20. Private Finance Initiative

The Council has a Private Finance Initiative (PFI) Scheme in place in relation to street cleansing, vehicle fleet and associated depot. The Council's PFI partner in relation to this scheme is IC SL and the contract with them is expected to run until 2013. Annual payments under this contract, which are chargeable to the Consolidated Revenue Account are at least £12m.

21. Details of Income and Expenditure on Other Services

	2000/01	2000/01	2000/01
	Gross Expenditure	Gross Income	Net Spend
	£000	£000	£000
Corporate Strategy	3,905	3,756	149
Environment & Conservation	180	45	135
Executive Board	738	747	(9)
Housing	6,973	7,076	(103)
Human Resources	16,907	15,452	1,455
Communications Unit	473	449	24
Information Technology	8,552	8,724	(172)
Islington Building Services	157	317	(160)
Law & Public Services	3,654	3,301	353
Neighbourhood Quality & Development	356		356
Finance & Property	34,710	33,148	1,562
Levies / other	6,470	3	6,467
TOTAL FOR OTHER SERVICES	83,075	73,018	10,057

22. Pensions Costs

Capital cost of any discretionary increases in pensions payments (discretionary added years) agreed by the Council

(a) In Year

The Council awards added years according to a formula to staff made redundant and taking early retirement. In 2000/01, 97 early retirees received added years. The total capital cost of these added years was £2,349k

(b) In earlier years for which payments are still being made

The capital cost of annual non-funded payments in respect of all added years awarded in all previous years was £30,798k

23. Building Control Trading Account

The total cost of Building Control divided between chargeable and non chargeable activities is as follows:

Building Regulations Charging Account 2000/01	Chargeable 2000/01 £000	Non Chargeable 2000/01 £000	Total 2000/01 £000
Expenditure			
Employee expenses	215	311	526
Premises		1	1
Transport	6		6
Supplies and services	121	46	167
Central and support service charges	60	95	155
TOTAL EXPENDITURE	402	453	855
Income			
Building regulation charges	78		78
Miscellaneous income	149	34	183
TOTAL INCOME	227	34	261
Surplus / (Deficit) for year	(175)	(419)	(594)

HOUSING REVENUE ACCOUNT

	Notes	2000/01 £000	1999/2000 £000
HRA Income			
Dwelling Rents (gross)	(3)	103,592	101,862
Non-Dwelling Rents (gross)		3,096	3,372
Heating charges (incl. hot water)		1,715	1,747
Leashldr's charges for services & facilities		7,669	5,954
Other charges for services & facilities		2,068	
HRA Subsidy receivable		115,138	120,348
Interest receivable		389	792
Transfers from the General Fund for items shared by the whole community		666	
Total Income		234,333	234,075
HRA Expenditure			
Repairs and maintenance	(1)	30,424	30,785
General management		25,337	21,300
Special services		13,281	11,572
Rents, rates, taxes and other charges		1,733	1,562
Rent rebates	(2)	63,775	63,946
Increase in provision for bad and doubtful debts		3,689	3,850
Capital financing costs		95,594	100,620
Total Expenditure		233,833	233,635
Surplus / (Deficit) for the year		500	440
Balance brought forward		1001	561
Surplus carried forward		1,501	1,001

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Repairs

The Repairs Account includes £2.023m (£1.929m in 1999/00) Disrepair Expenditure item.

2. Rent Rebates

Assistance with rents is available under the Housing Benefits Scheme for those on low income. In 2000/01 18,634,(58%) of the Council's tenants received some help under the scheme.

3. Gross Dwelling Rent

Voids of £2.4m in 2000/01 and £3.2m in 1999/00 have been allowed for in arriving at the total rent income.

The average rent for Housing Benefit for cap purposes was £62.12 for 2000/01. Islington's 2000/01 average rent was £62.40. The HB cap rent for 1999/00 was £60.00 and the Islington average rent figure was £60.14, representing an increase of £2.26 (3.76%) for the average rent in 2000/01.

4. Housing Stock

April 2001, this was made up of 28,822 flats, 3,123 houses (inclusive of 462 places at homeless reception centres).

5. Rent Arrears

	At 31 March 2001		At 31 March 2000	
	£000	Cases	£000	Cases
Current Tenants	13,603	21,048	14,166	23,649
Former Tenants	8,100	5,682	7,429	5,490
	<u>21,703</u>	<u>26,730</u>	<u>21,595</u>	<u>29,139</u>

Current Rent Arrears as a percentage of Gross Rent	2000/01 13.44%	1999/00 13.91%
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During 2000/01, irrecoverable rent arrears of £1.592m were written off. The cumulative provision for irrecoverable rent arrears within the Housing Revenue Account is £14.547m.

COLLECTION FUND

Collection Fund Income and Expenditure Account

Notes	2000/01	1999/2000
	£000	£000
Opening Balance Surplus/(Deficit)	<u>(678)</u>	<u>(725)</u>
 INCOME		
Council Tax (1)	47,556	45,429
Rebates	18,703	20,106
Transitional Relief	3	10
NNDR Collectable (2)	81,915	79,025
General Fund Contribution /(Distribution) to previous years Community Charge Deficit	-	(600)
	<u>148,177</u>	<u>143,970</u>
 Expenditure		
Reduction in Community Charge Debit	104	79
Precepts:		
Metropolitan Police	1,162	6,330
London Fire & Civil Defence Authority	0	1,889
Greater London Authority	8,311	
London Borough of Islington	51,545	54,349
 Distribution of /(Contribution towards) previous year's surplus /deficit		
Metropolitan Police	(23)	(66)
London Fire & Civil Defence Authority	-	(19)
Greater London Authority	(160)	
London Borough of Islington	(654)	(600)
 NNDR Payment		
	81,214	78,345
NNDR Cost of Collection	701	680
Provision for Bad Debts	<u>2,027</u>	<u>2,936</u>
	<u>144,227</u>	<u>143,923</u>
Surplus/(Deficit)	3,950	47
Surplus/(Deficit) carried Forward (note 3)	<u>3,272</u>	<u>(678)</u>

NOTES TO COLLECTION FUND ACCOUNT

1. Council Tax

The Council's taxbase i.e.the number of Band D equivalent dwellings, taking into account the number of assessed dwellings in each band, the ratio of each band to Band D, the number of discounts and the allowance for non collection, was as follows :-

Band	2000/01	Ratio	2000/01	1999/2000
	Est.No.of Taxable Properties		Band D Equiv. Dwellings	Band D Equiv. Dwellings
A	599	6/9	399	224
B	3,979	7/9	3,094	3,243
C	20,223	8/9	17,976	17,881
D	20,879	9/9	20,879	20,923
E	9,876	11/9	12,071	12,115
F	5,124	13/9	7,402	7,070
G	5,428	15/9	9,046	9,054
H	685	18/9	1,370	1,362
	66,793		72,237	71,872
Less adjustment for collection rates etc.			3,250	3,234
			68,987	68,638

2. Income from Business Ratepayers

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area which are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other reductions, is paid to a central pool, (NDR Pool) managed by central government, which in turn pays back to authorities their share of the pool based on the standard amount per head of resident population.

The total non-domestic rateable value at 31 March 2001 was £ 310.7 m. The national non-domestic rate multiplier for the year was 41.16p, giving a possible non-domestic rates income of £ 127.9m . The difference between this and the NDR collectable is explained by:

	£m
NDR payable in respect of previous years	(11.8)
Transitional relief	(23.7)
Mandatory Relief	(7.9)
Others (net)	(2.6)

3. Collection Fund Balance

The balance of £ 3.272m (surplus) on the collection fund on 31/3/01 represents a surplus of £ 1.940m on the community charge account and a surplus of £ 1.332m on the council tax account.

CONSOLIDATED BALANCE SHEET

	Notes	31 March 2000 £000	31 March 1999 £000
Fixed Assets :Operational	(1)		
Council Dwellings		1,161,114	1,197,052
Other Land and Buildings		425,866	431,830
Vehicles, Equipment & Plant		0	15
Infrastructure Assets		29,565	27,853
Community Assets		435	435
Fixed Assets : Non-Operational			
Investment Properties		62,298	66,413
		<u>1,679,278</u>	<u>1,723,598</u>
Deferred charges	(2)	0	0
Long Term Debtors		1,602	1,904
Deferred Revenue Expenditure		9,908	8,822
TOTAL LONG TERM ASSETS		<u>1,690,788</u>	<u>1,734,324</u>
Current Assets			
Stock and Work-in-Progress	(4)	441	1,311
Investments		67,810	24,890
Sundry debtors	(5)	101,987	86,905
		<u>170,238</u>	<u>113,106</u>
Current Liabilities			
Creditors		125,034	106,805
Short-term Borrowing		28,570	58,770
Cash Overdrawn		22,301	6,670
		<u>175,905</u>	<u>172,245</u>
NET CURRENT ASSETS		<u>(5,667)</u>	<u>(59,139)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,685,121</u>	<u>1,675,185</u>
Long -Term Borrowing	(6)	(813,272)	(794,742)
Deferred Government Grants		(28,687)	(24,170)
Deferred Capital Receipts	(7)	(1,577)	(1,814)
Provisions	(9)	(11,389)	(10,101)
Commutated Sum	(10)	0	(501)
Deferred Liabilities	(11)	(12,410)	(11,839)
TOTAL ASSETS LESS LIABILITIES		<u>817,786</u>	<u>832,018</u>
Financed by:			
Fixed Asset Restatement Reserve	(12)	623,960	673,792
Capital Financing Reserve	(12)	171,257	139,147
Capital Receipts Unapplied	(12)	5,709	6,987
Capital Gifts Unapplied		135	966
Community Benefits Unapplied	(13)	4,814	5,075
Street Markets Reserve	(9)	154	138
General Fund Balance	(16)	7,029	5,590
Housing Revenue Account		1,501	1,001
Collection Fund		3,272	(678)
TOTAL EQUITY		<u>817,831</u>	<u>832,018</u>

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

a) Analysis of Movement in Fixed Assets

These may be analysed as follows:

	Council Dwellings	Other Land & Buildings	Vehicles Plant, Eqpt	Infra-structure Assets	Community Assets	Investment Properties	Total
	£000	£000	£000	£000	£000	£000	£000
Net Book Value 1 April 2000	1,197,052	431,830	15	27,853	435	66,413	1,723,598
Additions	31,293	6,144		3,105	337		40,879
Disposals	(43,290)	(1,389)				(4,115)	(48,794)
Revaluations					(337)		(337)
Gross Book Value 31 March 2001	1,185,055	436,585	15	30,958	435	62,298	1,715,346
Depreciation for Year	(23,941)	(10,719)	(15)	(1,393)			(36,068)
Depreciation on Assets Sold							
Net Book Value at 31 March 2001	1,161,114	425,866	0	29,565	435	62,298	1,679,278
General Fund		423,287		29,565	428	31,632	484,912
Housing Revenue Account	1,161,114	2,579			7	30,666	1,194,366
Net Book Value 31 March 2001	1,161,114	425,866	0	29,565	435	62,298	1,679,278

The freehold and leasehold properties which comprise the authority's property portfolio have been valued as at 1 April 1998 by the Head of Valuation and Estates Management - Bryn Harries, FRICS - on the undermentioned bases having regard to the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institute of Chartered Surveyors, except that not all properties were inspected. No assets were revalued in 1999/2000 or 2000/01 as a new database has been installed in the Property Service Section and the revaluation will continue in 2001/02. This will be in line with the Council's continuing policy of revaluing all assets every three years.

Plant and Machinery is included in the valuation of the buildings.

Properties were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market value for the subject asset, the depreciated replacement cost basis. In addition the Council values all its infrastructure and community assets at historic cost.

b) Sources of Capital Financing

The sources of capital financing are given in the table below:

	2000/01	1999/2000
	£000	£000
Annual Capital Guideline	29,400	13,310
less Receipts taken into account	(1,578)	(1,977)
	27,822	11,333
Supplementary Credit Approvals	2,977	11,797
Borrowed from other Local Authorities	1,575	3,232
Repaid to Other Local Authorities	(3,232)	(4,150)
	29,142	22,212
Other Sources of Finance:		
Usable Capital Receipts	23,560	12,593
Capital Grants	3,980	4,398
Revenue and Other Contributions	9,415	10,338
	66,097	49,541
Capital Programmes to be financed by the above:		
Block Expenditure	39,332	20,969
Improvement Grants	1,364	1,483
Housing Associations	3,133	1,200
Agency Program	1,100	1,732
Supplementary Credit Approvals	2,981	7,863
Single Regeneration Budget	1,385	1,726
Regulation 18 "In and Out"	11,807	3,164
Planning Gain	430	445
Lottery	218	1,857
Capital Expenditure charged to Revenue	4,347	9,102
	66,097	49,541

c) Analysis of Fixed assets by Type

	2000/01	1999/2000
Operational Assets		
Council Dwellings	31,945	33,192
Libraries	11	11
Leisure Centres with Pools	3	3
Leisure Centres without Pools	6	6
Community Centres & Flats	76	76
Leisure & Amenities Miscellaneous	5	5
Town Halls	3	3
Administrative Buildings	41	41
Cemeteries	2	2
Crematoria	1	1
Depots	2	2
Residential Homes :		
Children	8	8
Older People	9	9
Mentally Ill & Physically Disabled	12	13
Day Centres:		
Youth Justice	1	1
Older People	5	5
Mentally Ill & Physically Disabled	6	6
Other	2	2
Education	3	3
Schools:		
Primary	34	34
Secondary	8	8
Nursery	5	5
Special	6	6
Under Fives Establishments	8	8
Infrastructure		
Bridges	5	5
Community Assets		
Parks and Open Spaces -Number	127	127
Area(Hectares)	81	81
Non Operational Assets		
Commercial Properties	669	691
Public Conveniences	21	21
Car Parks	3	3
Sites	7	8

2. Deferred Charges

Deferred charges has been set to zero in line with the Code of Practice on Local Authority Accounting which states that "deferred charges in the balance sheet should be based upon the continuing value of expenditure to an authority not its need for financing that expenditure". None of the items contained within deferred charges were considered to have any continuing value to the authority and were therefore written off to the Capital Financing Reserve in line with CIPFA advice.

	2000/01	1999/2000
	£000	£000
Balance as at 1 April 2000	0	0
Expenditure	10,830	6,019
Amount written off to Capital Financing Reserve	(10,830)	(6,019)
Balance as at 31 March	<u>0</u>	<u>0</u>

3. Capital Commitments

As at 31 March 2001, the Council was contractually committed to capital works which amounted to approximately £27.9m (£34.1 m for 99/00). Major contracts, i.e., with over £0.5m commitments still outstanding, include the following schemes:

Capital Commitments

	2000/01 £000	1999/2000 £000
Braithwaite House		1,238
Brunswick House Phase 2		1,361
Sheltered Units Improvements		703
Hornsey/Ringmer Houses - Improvements		565
Goldie/Ritchie Houses - Roofs		558
Six Acres Estate - Windows		575
Marquess Refurbishment Phase 4		1,342
Marquess Upper Walkways		1,359
Holloway School		650
Islington Arts & Media School		1,961
Belmore House - Sheltered Housing		1,325
St Mary Church Gardens	520	
Holloway Phase 1 improvements	979	
Holloway School Phase 3	700	
Finance System Replacement	1,000	
Brunswick Estate Phase 3	1,394	
Elthorne Estate Window Renewal	1,285	
ERP Contract No 41	577	
Threadgold House	527	
	6,982	11,637

4. Stocks and Work-in-Progress

	2000/01 £000	1999/2000 £000
Stocks	291	705
Rechargeable works/Works-in-Progress	150	606
	441	1,311

5. Sundry Debtors

	2000/01 £000	1999/2001 £000
Sundry Debtors	180,051	159,649
Less Provision for Bad Debts :-		
Collection Fund	43,716	(43,439)
Housing Rents	19,326	(14,397)
Rent Allowances Overpaid	9,759	(8,542)
General Debtors	5,263	(6,366)
	78,064	(72,744)
	101,987	86,905

6. Long Term Borrowing

	Int.Rates Payable	Total Outstanding 2000/01 £000	Int.Rates Payable	Total Outstanding 1999/2000 £000
Public Works Loans Board	9	(744,815)	9	(714,785)
Other Mortgages	3	(11)	4	(11)
Stocks	12	(10,946)	12	(10,946)
		(755,772)		(725,742)
Deferred Purchase Loans		(57,500)		(69,000)
		(813,272)		(794,742)

	2000/01 £000	1999/2000 £000
Maturities as at 31 March		
Up to 2 Years	(52,241)	(58,570)
From 2-5 Years	(57,289)	(74,892)
From 5-10 Years	(256,351)	(120,893)
Over 10 Years	(389,891)	(471,387)
	(755,772)	(725,742)
Deferred Purchase Loans (up to 4 years)	(57,500)	(69,000)
	(813,272)	(794,742)

7. Deferred Capital Receipts

Deferred capital receipts are amounts derived from sales which will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of Council houses which form the main part of long term debtors.

8. Provision to meet Credit Liabilities

The unapplied balance of Capital Receipts Unapplied represents monies in hand for use in future years. The reserved part must be set aside to repay debt and is shown as the Provision for Credit Liabilities.

	2000/01	1999/2000
	£000	£000
Balance as at 1 April	115,929	93,400
Reserved Receipts in Year	30,726	23,059
Minimum Revenue Provision	17,660	18,131
	164,315	134,590
Less Other Adjustments	0	0
Less Prior year adjustments	0	0
Less Amount used to Redeem Debt	(18,709)	(18,661)
Balance as at 31 March	145,606	115,929

These transactions now form part of the Capital Financing Reserve.

9. Reserves and Provisions

	Balance at			Balance at
	1 April	Payments	Receipts	31 March
	2000			2001
	£000	£000	£000	£000
RESERVES				
Street Markets	138		16	154
Total Reserves	138	0	16	154
PROVISIONS				
Insurance	6,500	2,771	3,290	7,019
Right To Buy Insurance	126			126
Lease/Leaseback	543			543
Tenant Disrepair Claims	500		300	800
PFI Provision	1,132		574	1,706
Social Services Charges	300			300
Equal Pay	600			600
Weekly Benefit Savings	200	200		0
Housing Needs	200	200		0
Environment	0		295	295
Total Provisions	10,101	3,171	4,459	11,389

Reserves

The Street Market Reserve represents accumulated surpluses and deficits on street market activities which are carried forward for the benefit of the street market account from year to year.

Provisions

- a) The Insurance Fund Provision covers claims for Public Liability, Employers' Liability, Motor and Fire up to £100k. Other risk including Theft and "Wet" perils eg storm are covered entirely within the fund. In 2000/01 no transfers were made to the provision from the General Fund. Current potential outstanding claims against the Fund incurred but not yet settled are forecast at approximately £ 7m at 31 March 2001. The balance on the fund is therefore sufficient to meet estimated liabilities.
- b) Right To Buy Insurance Premiums - This represents discounts received from the Council's Insurers which are to be passed on to Right to Buy purchasers net of administration costs.
- c) The Lease/Leaseback provision covers possible tax liabilities resulting from past leasing arrangements.
- d) The Tenant's Disrepair Claims provision relates to several hundred outstanding claims for damages for disrepair from housing tenants pursuant to Section 11 of the Landlord and Tenant Act 1982 . There are also repair claims from right to buy and other leaseholders, and repair cases brought under Section 82 of the Environmental Protection Act 1980 in the Magistrates Court. It will be necessary to settle most of these cases by the payment of agreed damages and legal cost to those tenants.
- e) The PFI provision has been set up to enable the PFI grant received in respect of the Joint Venture to be matched with the expenditure incurred.

- f) The Social Services Charges provision covers charges for care services under s117 of the Mental Health Act.
- g) The Equal Pay provision relates to claims for equality of pay between certain sections of female and male staff in Building Services.
- h) The Weekly Benefit Savings (WBS) provision covered a reduction in subsidy resulting from a revision of the 1999/00 WBS claim. This was written back to revenue expenditure in 2000/01.
- l) The Housing Needs provision is for costs related to an employment tribunal case that the Council lost. These costs were paid during 2000/01 and totalled £273k.
- m) The environment provision refers to several revenue provisions for environment related expenditure.

10. Commuted Sum

On 1 October 1992 the Department of the Environment repaid Public Works Loan Board loans to the value of £20.77m, mainly to pay off debt in relation to Improvement Grants in lieu of paying subsidy on the debt charges for the duration of the loan. Of this sum £15.76m related to loans and £5.01m to interest premiums on early redemption. The £5.01m interest premiums element will be written back into the accounts over a period of ten years to offset the loan charges made to these accounts. The balance outstanding as at 31 March 2001 is £ 0.5m and is included within short term creditors.

11. Deferred Liabilities

	2000/01 Opening Balance £000	Incurred £000	Repayments Within Year £000	2000/01 Closing Balance £000
Finance Leases	3,017		(515)	2,502
Ex-ILEA Debt	8,822	1,223	(137)	9,908
	11,839	1,223	(515)	12,410

12. Total Movements in Capital Reserves

The Fixed Assets Restatement Reserve, Capital Financing Reserve and Usable Capital receipts Reserve are explained in more detail in the Total Movement in reserves section, on page 35.

13. Community Benefits Unapplied

Section 106 of the Town and Country Planning Act (1990) allows the Council, when considering planning applications to consider gains for the community associated with specific developments. Planning gains are usually included in the development but can be commuted into a capital payment to the Council which then carries out the designated work. These works are normally of an environmental nature or affordable housing. Planning gains unapplied are the balances of such amounts that have not yet been spent. Of the balance of £4.814m, £3.321m is for environmental works and £1.493m is for affordable housing.

	2000/01 £000	1999/2000 £000
Balance as at 1 April	5,075	4,874
Community Benefits during Year	2,254	1,507
Community Benefits applied during Year	(2,515)	(1,306)
Balance as at 31 March	4,814	5,075

14. Interests in Other Companies

a) Islington Development and Economic Agency Ltd. (IDEAL)

The company was set up to assist, promote and encourage new and existing industry in the borough. On 15th November 2000 IDEAL was wound up voluntarily by its members and the company ceased trading as at that date. There is no indebtedness between the Council and IDEAL.

b) Islington Training Centre Ltd.

The main activity of the company is providing training to adults of eighteen and above for entry or re-entry into employment. On 24th November 2000 Islington Training Centre Ltd was wound up voluntarily by its members and the company ceased trading as at that date. There is no indebtedness between the Council and Islington Training Centre.

c) Sobell Variety Islington Trust Ltd.

A charity established to provide and assist in providing facilities free or at a reasonable charge, for recreation and other leisure time occupation in or in connection with the London Borough of Islington and its neighbourhood.

From 1 April 1997 the articles of association of the trust have been changed to enable the trust to run the Council's sports and leisure services operations. The change in the trust status means that the Council no longer has a controlling interest in its operations.

d) Islington Cleansing Services Ltd.

Islington Cleansing Services Ltd commenced trading on 29 June 1998 for the provision of refuse collection, street cleansing, vehicle maintenance and fleet management services to Islington Council. The Council owns a golden share in the company and Cllr Derek Sawyer, is a director. The value of transactions in 2000/2001 between ICSSL and the Council totalled £15,312k (£15,210k in 1999/00)

Further information on the companies may be obtained from the Director of Finance and Property Services at the Municipal Offices, 222 Upper Street, London N1 1XR .

15. Contingent Liabilities

The Council has several contingent liabilities both of a revenue and capital nature as follows, relating to actual or threatened legal action. These are as follows :

a) Contract Claims

The Council is involved in a number of actual and threatened court proceedings arising out of works and services performed for the Council in 2000/01 and preceding years. A liability for damages / costs will arise if the Council settles or loses these cases. On the basis of current information, the estimated contingent liability is in the region of £300,000.

b) Social Services Claims

The Council is dealing with several claims from former children in care and other Social Services clients. The claims are mainly being dealt with by the Council's Insurers. If substantiated the claims may well be covered by the Council's Insurers.

c) Social Services Judicial Reviews

The Council is involved in a number of Judicial Reviews relating to challenging the Council for failure to comply with the requirements of S47 National Health Service and Community Care Act 1990, to undertake assessments of applicants together with the provision of a Care Plan. A liability will arise if either the Council settles a case and agrees to pay an applicants legal costs, or the decision of the Court is in favour of the applicant and the Council is ordered to pay the applicant's legal costs. The estimated contingent liability for the outstanding cases is £20,000.

d) Housing Judicial Reviews

The Council is involved in a number of outstanding Judicial Review and County Court Appeal cases relating to housing allocation / transfers and homelessness. A contingent liability will arise if the Council settles a case pursuant to which it agrees to pay the applicant's legal costs, or the Court makes a decision in favour of the applicant and the Council is ordered to pay legal costs. The estimated contingent liability for the outstanding cases is £60,000

e) Employment Tribunal cases

The Council is involved in 177 outstanding Employment Tribunal cases relating mainly to claims of equal pay, sex discrimination and employment rights issues. A liability will arise if either the Council settles a case and agrees to pay compensation or the decision of the Employment Tribunal is in favour of the applicant and the Council is ordered to pay compensation. The estimated contingent liability for the outstanding cases is . uncertain but could potentially amount to several millions of pounds.

f) Special Educational Needs Cases

The Council is involved in a number of special educational needs tribunal cases. A liability will arise if the Council settles or loses these cases, as a result of which it is necessary to provide the pupils concerned with additional or more costly education to meet their special educational needs. The estimated contingent liability is £100,000.

g) Educational Negligence

The House of Lords in the Phelps case has decided that Local education Authorities can be liable for educational negligence. This could potentially result in a substantial liability which is unquantifiable as yet and the insurance implications need to be explored by the Council.

h) Council Tenant Repair Claims

The Council has several hundred outstanding claims for damages and disrepair from its housing tenants brought pursuant to Section 11 of the Landlord and Tenant Act 1982. It will be necessary to settle most of these cases by the payment of agreed damages and legal costs. The total liability is uncertain as it will be dependent upon negotiated settlements or awards of damages decided by the County Court. However it may be in the order of £2.5 million (inclusive of legal costs).

i) Backdating of pensions for part time workers

This is covered in the Pension fund Accounts on page 39.

j) Bankruptcy Case

Liability of up to £400k (£350k claim plus £50k costs) is claimed for alleged malicious falsehood, malicious prosecution and misfeasance in public office in relation to bankruptcy proceedings taken by the Council.

k) Trademark Case

There is a potential liability of up to £50k (£35k claim plus £15k costs) for alleged loss of profits arising out of a trademark enforcement action by the Council

16. Balances Held by Schools

The General Fund balance within the Consolidated Balance Sheet includes a sum of £4.496m held by schools under delegated schemes. This amount is noted on the face of the Consolidated Revenue Account above (Page 13) .

17. Deemed Debt

The Department for Transport, London and the Regions (DTLR) have made local authorities remove deemed debt from their Housing Revenue Account and transfer it to their General Fund. A House of Lords judgement in March 1994 confirmed the legality of this action. The Council therefore, cannot now claim Housing subsidy related to this debt from the date it was transferred from the ex-GLC which was 1 April 1986. For the period 1 April 1986 to 31 March 1994 the total of lost subsidy was £5.45m. The DTLR agreed to allow the Council to capitalise all the subsidy repayments and issued the Council with three Supplementary Credit Approvals (SCAs) to cover these costs of £1.341m in 1993/94 ,£1.649m in 1994/95 and £2.46m in 1995/96. Each of these SCAs was to be written off over a seven year period. At the 31 March 2001 £0.939m remains outstanding.

18. Ex-Inner London Education Authority (ILEA) Debt

Ex-ILEA debt totaling £15.8m was transferred to the Council in 1993/94. As at 31.3.2001, £10.1m of the loans have been repaid and £5.7m of the loans remain. The published policy for accounting for these loans was that they were excluded from the MRP calculation and the loans needed to be written down over a period of time. The Council 's policy for writing off these loans is to make revenue provision based on a 40 year sinking fund starting 1 April 1999.

The deferred liability at 31.3.01 is £9.908m.

TOTAL MOVEMENTS IN RESERVES

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the financial year. The statement separates the movements between revenue and capital reserves.

Total movements in Reserves	CAPITAL RESERVES			REVENUE RESERVES			TOTAL £000
	Fixed Asset	Capital	Usable	General	Specific	Housing	
	Restatement	Financing	Capital	Fund	Reserves	Revenue	
	Reserve	Reserve	Receipts	(Street Mkts)	Account		
	£000	£000	£000	£000	£000	£000	£000
Balance as at 1 April 2000	(673,792)	(139,147)	(6,987)	(5,591)	(138)	(1,001)	(826,656)
MRP net of Depreciation							0
Ex ILEA debt adjustment							0
Write down of deferred Charge							0
Net (surplus)/deficit for year		28,199		(1,676)	(16)	(500)	26,007
Unrealised (gains)/loss-revaluation	1,038						1,038
Effects of disposal of assets							0
Cost / Value of asset disposed of	48,794						48,794
Proceeds of disposals		(29,679)	(22,282)				(51,961)
Net (surplus)/deficit	48,794	(29,679)	(22,282)	0	0	0	(3,167)
Capital receipts applied							0
Financing of fixed assets		(30,630)	23,560				(7,070)
Balance as at 31 March 2001	(623,960)	(171,257)	(5,709)	(7,267)	(154)	(1,501)	(809,848)

The capital reserves may be defined as follows:

a) Fixed Asset Restatement Reserve

The current system of local authority accounting requires the establishment of the fixed asset restatement reserve. The balance represents the difference between valuation of assets under the previous system of capital accounting and revaluation as at 1 April 1998. The reserve will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

b) Capital Financing Reserve

The capital financing reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

c) Usable Capital Receipts Reserve

The usable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

Notes to Total Movement in Reserves

<i>Fixed Asset Restatement Reserve</i>	General Fund	Housing Revenue Account	Total
	£000	£000	£000
Balance as at 1 April 2000	(346,817)	(326,975)	(673,792)
Loss on revaluation of fixed assets	337		337
Satman repayments	(538)	(10,962)	(11,500)
Writing off of capital assets	2,633	9,633	12,266
Other items	(65)		(65)
Disposal of Fixed Assets	4,898	43,896	48,794
Balance as at 31 March 2001	(339,552)	(284,408)	(623,960)

<i>Capital Financing Reserve</i>	Total
	£000
Balance as at 1 April 2000	(139,147)
Appropriation from General Fund :	
MRP net of depreciation	18,393
Voluntary redemption of debt	1,049
Write down of deferred Charge	10,330
Other items	(525)
Financing of fixed assets	(7,071)
Reserved Capital Receipts	(30,727)
Capital Receipts applied	(23,559)
Balance as at 31 March 2001	(171,257)

CASH FLOW STATEMENT

	2000/2001 £000	1999/2000 £000
REVENUE ACTIVITIES:EXPENDITURE		
Cash Outflows		
Employees	(170,392)	(180,324)
Precepts	(9,473)	(8,219)
NNDR Payments to Pool	(92,285)	(76,577)
Housing benefit	(57,463)	(57,716)
Other Operating Costs	(469,550)	(252,260)
	(799,163)	(575,096)
REVENUE ACTIVITIES : INCOME		
Cash Inflows		
Rents	54,547	55,981
Council Tax	44,331	43,594
NNDR Receipts from Pool	49,674	43,610
NNDR Collected	91,349	87,901
Revenue Support Grant	146,390	143,336
Rebates	55,505	52,581
Housing Subsidy	119,997	116,767
Other Grants (1)	53,105	41,026
Other Income	305,896	110,971
	920,794	695,767
NET CASH FLOW : REVENUE (2)	121,631	120,671
RETURNS ON INVESTMENT AND SERVICING OF FINANCE		
Cash Outflows		
Interest Paid	(76,022)	(78,605)
Interest Paid-finance leases	(1,371)	(1,226)
Cash Inflows		
Interest received	1,668	1,351
	(75,725)	(78,480)
CAPITAL ACTIVITIES		
Cash Outflows		
Purchase of fixed assets	(40,879)	(33,842)
Deferred Charges	(10,969)	(6,018)
Other Capital cash payments	(14,248)	(7,128)
Cash Inflows		
Sale of fixed assets	53,009	39,250
Capital Grants received	3,652	3,747
Other Capital cash receipts	4,055	3,961
	(5,380)	(30)
NET CASH INFLOW/(OUTFLOW)	40,526	42,161
Financing (4)	(13,237)	(37,049)
Management of Liquid Resources (5)	(42,920)	(4,890)
NET INCREASE/(DECREASE) IN CASH	(15,631)	222

NOTES TO CASH FLOW STATEMENT

1. Analysis of Government Grants

	2000/01 £000	1999/2000 £000
Mandatory Awards/Disabled Students	1,027	6,098
Section 11	0	13
Standards Fund-Education	8,428	670
Private Finance Initiative-Depot/Vehicles	2,542	1,986
Asylum Seekers	32,059	21,903
Miscellaneous Grants	9,049	10,356
	53,105	41,026

2. Reconciliation of Net Cash Flow on Revenue Activities to Surplus/Deficit in Consolidated Revenue Account

	2000/01 £000	1999/2000 £000
General Fund Surplus/(Deficit)	1,438	2,459
Housing Revenue Account Surplus/(Deficit)	500	440
Street Markets Surplus/(Deficit)	16	68
Collection Fund Surplus/(Deficit)	3,950	47
	5,904	3,014
<u>Movement in Current Assets and Liabilities:</u>		
Stocks	870	99
Debtors	(14,997)	(3,194)
Creditors	19,216	5,119
<u>Movement in Other Balances:</u>		
Commuted Sum	(532)	(573)
Other Provisions and Funds	1,288	2,188
<u>Adjustments for Sums Accounted Elsewhere :</u>		
Interest Paid	75,826	78,603
MRP Adj. & Loan Repayment	17,660	18,131
Finance Leases Principal	1,567	1,567
Finance Lease Interest	1,371	1,371
Interest Received	(2,071)	(1,350)
SATMAN principal paid	10,963	10,009
Revenue Financing of Capital	4,566	5,686
Net Cash Flow on Revenue Activities	121,631	120,671

3a Reconciliation of Net Cash Flow to Movement in Net Debt

	2000/01 £000	1999/2000 £000
Increase/(Decrease) in cash in the period	(15,631)	222
Cash Outflow from decrease in debt and leases	13,237	37,049
Cash Outflow from increase in liquid resources	42,920	4,890
Non cash movements	2,698	
Change in net debt resulting from cash flows in the period	<u>43,224</u>	<u>42,161</u>
Net debt at the beginning of the period	(839,559)	(881,720)
Net debt at the end of the period	(796,335)	(839,559)

3b. Analysis of Net Debt

	At 1 Apr 2000 £000	Cash Flow In Year £000	Other Non-Cash Movements £000	At Mar 2001 £000
(Overdraft)/Cash	(6,670)	(15,631)		(22,301)
Debt due within 1 year	(58,770)	58,770	(28,570)	(28,570)
Debt due after 1 year	(794,744)	(47,100)	28,570	(813,274)
Finance Leases	(4,265)	1,567	2,698	0
Short Term Investments	24,890	42,920		67,810
Net Debt	(839,559)	40,526	2,698	(796,335)

4. Financing

	2000/01 £000	1999/2000 £000
Cash Outflows		
Repayments of loans	(100,270)	(83,492)
Capital element of finance leases	(1,567)	(1,557)
Cash Inflows		
Loans Raised	88,600	48,000
	<u>(13,237)</u>	<u>(37,049)</u>

5. Management of Liquid Resources

	2000/01 £000	1999/2000 £000
Increase in short term deposits	(42,920)	(4,890)
	<u>(42,920)</u>	<u>(4,890)</u>

PENSION FUND

FUND ACCOUNT	Notes	2000/2001 £000	1999/2000 £000
CONTRIBUTIONS AND BENEFITS			
Contributions Receivable:	(1)		
- Employees		4,574	4,870
- Employers		18,828	12,523
Transfer Values Received		3,839	2,406
Other Income:			
- Pensions Mis-selling		524	851
- Upgraded Pension Paid by General Fund		2,197	2,110
- Pension Fund Strain Recovery		1,153	528
		<u>31,115</u>	<u>23,288</u>
Benefits Payable:	(2)		
- Pensions		(19,387)	(18,638)
- Lump Sum Benefits		(3,186)	(2,520)
Payments to and on Account of Leavers:			
- Refund of Contributions		(119)	(90)
- Transfer Values Paid		(4,669)	(3,816)
Administrative and Other Expenses Borne by Scheme			
- Administration Expenses		(683)	(733)
- Contributions Equivalent Premium		(76)	(74)
		<u>(28,120)</u>	<u>(25,871)</u>
Net Additions (withdrawals) from Dealings with Members		2,995	(2,583)
RETURNS ON INVESTMENTS			
Investment Income	(7)	11,103	11,178
Change in Market Values (Realised and Unrealised)	(6)	(42,762)	42,508
Investment Managers Fees		(864)	(783)
Net Returns on Investments		<u>(32,523)</u>	52,903
Net Increase (Decrease) in Fund During the Year		<u>(29,528)</u>	50,320
Opening Net Assets of the Scheme		444,665	394,345
Closing Net Assets of the Scheme		<u>415,137</u>	<u>444,665</u>

NET ASSETS STATEMENT AS AT 31 MARCH 2001

NET ASSETS STATEMENT		2000/01	1999/2000
		£000	£000
Investment Assets	(5)		
UK Equities		192,384	212,002
UK Fixed Interest		57,964	51,433
UK Index Linked		54,592	50,781
International Fixed Interest		10,605	15,225
US Equities		20,519	23,835
Japan Equities		16,769	23,038
European Equities		33,686	39,541
Far East Equities		11,564	12,874
Emerging Markets Equities		970	978
Managed Venture Capital		4,204	3,157
		<u>403,257</u>	<u>432,864</u>
 DEBTORS			
Investments Income Accrued		1,525	1,145
Tax Claims Receivable		0	0
Sales Outstanding		934	1,334
Sundry		111	49
		<u>2,570</u>	<u>2,528</u>
 CREDITORS			
Sundry		(597)	(304)
Purchases Outstanding		(1,112)	(729)
Managers Fees Accrued		(148)	(197)
		<u>(1,857)</u>	<u>(1,230)</u>
 DEBTORS LESS CREDITORS		713	1,298
 Cash		11,167	10,503
 NET DEBTORS PLUS CASH		<u>11,880</u>	<u>11,801</u>
TOTAL NET ASSETS	(6)	<u>415,137</u>	<u>444,665</u>

NOTES TO PENSION FUND

The Pension is built up from contributions paid by both employees and the Council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Employees' contributions to the Fund and the extent of benefits paid out are fixed by Government Regulations. The Council's contribution rate is assessed by an independent actuary every three years.

The Local Government Pension Scheme is operated under regulations made under Section 7 of the Superannuation Act (1972). The Regulations are the Local Government Pension Scheme Regulations (1997), as amended, and cover investments, contributions, valuation of the Fund and benefits.

Power is given in the Regulations to admit employees of certain other organisations to the London Borough of Islington Pension Fund and there were five such bodies, listed in note 8(h), admitted as at 1 April 2001 and two other bodies with frozen benefits only.

1. Income

Income is credited to the Pension Fund consisting mainly of:

- a) Employees' contributions of either 6% or 5% (former manual workers with lower rate rights, who were contributing 5% at 1st April 1998) of pensionable pay, and,
- b) Employers' contributions determined by actuarial means at the last revaluation effective from 1 April 1999, fixed at 263% of employees' contributions. It was agreed that part of this relating to deficit on past service should be net from lump sum payments and phased in over a number of years.
- c) Upgraded Pensions relate to compensation payments (added years) made on Redundancy or efficiency grounds, the index-linked increases thereon, and certain non-contributing service which the Council has treated as counting at full length in the payment of benefits. Income is transferred to the Pension Fund from the General Fund to offset these payments.
- d) Contributions are invested and used for the benefit of the Pension Fund. The investment income in the form of dividends, interest and capital realisations is paid into the Fund.
- e) Transfers to and from the Fund and other organisations are permitted. Transfers within the local government scheme are on a year for year, day for day basis but in all other transfers the money received from the organisation is used to purchase an amount of reckonable service in the local government scheme

2. Expenditure

- a) Benefits provided by the scheme include:
 - i) Retirement pensions at normal retirement age or earlier should the Council's medical adviser decide that a member be retired on grounds of ill health, or on grounds of redundancy or efficiency of the service at or after the age of fifty.
 - ii) Pensions for widows and widowers and in certain circumstances, childrens' pensions.
- b) Lump sum payments on retirement or death in service. Retirement benefits are normally based on a members' pensionable pay over the last year of service, whilst the lump sum payment in respect of death in service is the same regardless of the length of pensionable employment.
- c) A contributor who leaves the service of the Council or opts out of the scheme and has less than two years' service may take a refund of contributions. Any refund is subject to certain statutory deductions. However, where the member's service is two years or more, no refund can be given, instead preserved benefits are awarded which are accrued up to the contributor's last day of service and are payable when benefits would normally become payable had the contributor remained in the employment of the Council.
- d) Payment of a Contribution Equivalent Premium (CEP) restores the Employee's rights in the state pension scheme as if he/she had not been contracted out, and extinguishes his/her accrued rights to a guaranteed minimum pension (GMP) in the local government pension scheme.
- e) Regulations permit the Council to charge administration costs and the investment manager 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.

3. Actuarial Position

The Fund is valued by an independent actuary every three years. His/her job is to decide whether present contribution rates are sufficient for funding purposes. He/she may if the situation demands, recommend an increase in contributions to ensure the solvency of the Fund.

An actuarial valuation of the Fund was carried out as at 31 March 1998. This valuation showed that the required level of contributions to be paid to the Fund by the Council with effect from 1 April 1999 was 263% of members' contributions. These rates of contribution are the rates which, in addition to the contributions paid by members are sufficient to meet:

- . 100% of liabilities arising in respect of service after the valuation date,
- . Plus an adjustment over a period of fourteen years (the expected average future service working lifetime of the membership) to reflect the shortfall of the value of each participating employer's notional share of the Fund's assets compared with 100% of its accrued liabilities ,allowing , in the case of members in service, for future pay increases.

The large increase in employer contribution rates is being phased in. The employers contribution rate is fixed at 172% with additional lump sum contributions of £3.1m in 1998/99, £2.9m in 1999/2000, £4.7m in 2000/01 and £6.7m in 2001/02. Changes to these increases in lump sum contributions will be calculated at the next actuarial review dated 31st March 2001. The new contribution rates will take effect from 1 April '2002

The market value of the Fund's assets at the valuation date was £368.0m, and the actuarial value represented 84% of the Fund's accrued liabilities, allowing for future pay increases.

The contribution rates have been calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Rate of return on investments: 7.5% per annum

Rate of general pay increases: 5.25% per annum

Rate of increases to pensions in payment (in excess of GMP's) 3.5% per annum

Valuation of Assets: Assessed value approach, based on a notional fund composed of 50% equities and 50% index linked investment securities, and assuming 4% per annum dividend growth.

The Audit Commission published a report on the impact of early retirement on public sector pension funds in 1997, "Retiring Nature:Early Retirement in Local Government". Following the Council's consideration of this report, a system of controls was put in place to protect the Pension Fund from the unfunded costs or "strain" placed on the Fund to finance early retirements due to redundancy, and also high levels of medical retirement.

As a result all medical retirement must be considered and approved by the Council's Occupational Health Adviser based on practice guidelines issued by the adviser's professional body. In addition the levels of medical retirement are monitored annually to ensure the costs incurred are not significantly different from the annual allowance for such costs made by the Fund actuary.

For early retirements resulting from redundancy, there is no allowance in the Pension Fund for the costs of the additional years of benefit payable before normal retirement age, or the loss of contribution income, (the capitalised sum of these cash streams are termed the "strain" on the Pension Fund). To allow for this, when departments consider redundancies involving early retirement, they must take into account the "strain" cost in the appraisal, and if an early retirement is permitted, the department must repay the "strain" payment into the Fund. Instalments over three years are permitted, with an interest charge.

4. Membership

The Fund membership is as follows :-

	31 March 2001	31 March 2000
Employees	4,906	5,067
Pensioners	3,257	3,782
Widows/Childrens' Pensions	647	618
Former Members' Entitlement to Deferred Benefits	3,890	2,982
Total Membership	12,700	12,449

5. Assets

The following is a detailed breakdown of UK Equities by industrial sector, and a breakdown of all investments held by the Pension Fund (excluding cash) at the end of 1998/99 and 1999/2000.

Breakdown of UK Equities by Industrial Sector

Sector	2000/2001			1999/2000		
	In- House £000	Framlington £000	£000	In- House £000	Framlington £000	£000
Aerospace & Defence	2,110		2,110	2,015		2,015
Automobiles	626	262	888	678	405	1,083
Banks	28,951	0	28,951	23,216		23,216
Beverages	4,082	0	4,082	2,705	70	2,775
Chemicals	1,208	275	1,483	1,927	93	2,020
Construction & Building Materials	2,322	2,258	4,580	2,223	1,943	4,166
Distributors	397	646	1,043	540	1,023	1,563
Diversified Industrials	0	0	0		228	228
Electricity	4,004	0	4,004	3,374		3,374
Electronic & Electrical Equipment	811	771	1,582	916	897	1,813
Engineering & Machinery	959	607	1,566	2,849	604	3,453
Food & Drug Retailers	3,606	213	3,819	2,783	264	3,047
Food Producers & Processors	3,550	227	3,777	3,269	362	3,631
Forestry & Paper	94	0	94	270		270
Gas Distribution	1,944	0	1,944	2,882		2,882
General Retailers	4,588	616	5,204	4,106	577	4,683
Health	955	1,142	2,097	871	908	1,779
Household Goods & Textiles	0	251	251		474	474
Insurance	811	156	967	3,338	186	3,524
Investment Trusts	3,964	0	3,964	3,964		3,964
IT Hardware	2,041	115	2,156	3,423	550	3,973
Leisure, Entertainment & Hotels	3,503	1,780	5,283	2,775	682	3,457
Life Assurance	6,069	0	6,069	5,131		5,131
Media & Photography	9,070	2,190	11,260	13,040	2,698	15,738
Mining	4,429	0	4,429	3,259		3,259
Oil & Gas	22,458	375	22,833	19,027	335	19,362
Packaging	171	0	171	142	355	497
Personal Care & Household	494	0	494	283		283
Pharmaceuticals	20,556	811	21,367	18,481	513	18,994
Real Estate	1,988	1,931	3,919	1,675	1,395	3,070
Restaurants, Pubs & Brewers	0	0	0	2,339	623	2,962
Software & Computer Services	2,777	1,279	4,056	6,083	2,686	8,769
Speciality & Other Finance	2,044	1,278	3,322	2,145	1,019	3,164
Steel & Other Metals	199	0	199	243		243
Support Services	3,293	2,447	5,740	3,025	2,820	5,845
Telecommunications Services	20,871	0	20,871	39,359	1,042	40,401
Tobacco	2,048	0	2,048	1,437		1,437
Transport	3,416	1,188	4,604	3,390	755	4,145
Water	1,157	0	1,157	1,312		1,312
	171,566	20,818	192,384	188,495	23,507	212,002

Breakdown of all Pension Fund Investments excluding cash

FUND ASSETS	2000/2001 £000	1999/2000 £000
INVESTMENTS		
Government Securities:	57,964	51,433
U.K. Fixed Interest	192,384	212,002
U.K. Equities-quoted	54,592	50,781
Index Linked		
OVERSEAS:		
Fixed Interest	10,605	15,225
Equities	83,508	100,266
Venture Capital- unquoted	4,204	3,157
TOTAL	403,257	432,864

The Fund's ten largest equity holdings in 1999/2000 and 2000/2001 were as follows:

2000/2001

	£000	Net Asset %
BP Amoco	14,806	4
Vodafone Airtouch	14,004	3
Glaxo Wellcome	12,906	3
HSBC Holdings	8,735	2
Astra Zeneca	6,720	2
Shell Transport & Trading	6,120	1
Royal Bank of Scotland	5,026	1
Lloyds TSB	4,301	1
Barclays	4,058	1
British Telecom	3,764	1

1999/2000

	£000	Net Asset %
Vodafone Airtouch	22,290	5
BP Amoco	12,686	3
British Telecom	8,671	2
Glaxo Wellcome	7,395	2
HSBC Holdings	7,113	2
Shell Transport & Trading	5,850	1
Smithkline Beecham	5,258	1
Astra Zeneca	5,078	1
Lloyds TSB	4,117	1
BSB	3,254	1

The Pension Fund Panel, oversees the way the Fund's investments are managed. The Panel consists of elected Members, Trade Union representatives, a Pensioner representative and officers. The management of the Fund's investments was changed following an asset / liability study carried out by the Council's actuary. The revised structure was implemented from 1st October 1999. The principal change was to reduce the weighting in equities to 70%, and increase bonds and government gilts towards 30% of the Fund. Equities in turn were to be split on a ratio of 70% in the UK and 30% overseas. The resulting structure now splits the Fund into portfolios as follows:-

1. Approximately 43% of the Fund is managed in-house within Finance and Property Services in UK Equities on an indexed basis to track the FTSE 350 Index within + or - 0.5% p.a.
2. Approximately 21% of the Fund is invested in overseas equities by Nikko Global Asset Management (UK) Ltd. Nikko's brief is to achieve at least 1% outperformance against a composite benchmark measured on rolling three year periods. Also returns should not be worse than 2% under benchmark in more than 1 year in any 3.
3. A UK small companies portfolio of up to 10% of the Fund managed by Framlington Investment Management Ltd. with the objective of outperforming the FTSE small companies (excluding IT) index.
4. Two portfolios of UK and Overseas Government Bonds make up the balance of the investments, managed by Phillips & Drew Ltd., and Rothschild Asset Management, both with the objective of outperforming a customised benchmark of 50% FTSE - Actuaries British Government over 15 year Gilt Index and 50% British Government over 5 years index linked Gilt Index. Outperformance of 0.75% measured on rolling three-year period is targeted and returns should not be worse than 2% under benchmark in any one year.

Additionally up to 5% of the Fund may be invested in Venture Capital Funds. The Council has invested in the North London Development Fund, which is managed by GLE Development Capital Limited. The value of the holdings still being managed in this fund was £4.2m at 31st March 2001, against a cost of those holdings of £2.9m.

In December 1999, the Council also became a limited partner in the Baring English Growth Fund, and has agreed to commit up to £1m to this fund. 6 investments had been made at 31st March 2001 and £325K had been drawn down from the Council.

At 31 March 2001 the Fund's investments were split as follows:-

		In-house	Framlington	Nikko	Phillips & Drew	Roths-child	Venture Capital	TOTAL
		£000	£000	£000	£000	£000	£000	£000
UK Fixed Interest	14%				23,023	34,941		57,964
Index Linked	13%				25,109	29,483		54,592
UK Equities	48%	171,566	20,818					192,384
Overseas Fixed Interest	3%				5,828	4,777		10,605
Overseas - Equities	21%			83,508				83,508
Venture Capital	1%						4,204	4,204
TOTAL		171,566	20,818	83,508	53,960	69,201	4,204	403,257

During the year the Fund purchased investments totalling £162.8m (1999/2000 - £ 281.2m) and sold investments to the value of £149.6m (1999/2000 - £ 259.2m). Realised net gains amounted to £12.62 (1999/2000 - £ 47.6m).

6. Investment Performance

The performance of the Council's Pension Fund is monitored externally by the WM Company. During the year to 31 March 2001, the Fund produced a return of -7.4% (1999/2000 = 14.0%) which outperforms with the Fund benchmark of - 8.2%) However, the average for local authority funds was -6.3%, and the Fund return was equivalent to 48th percentile performance, i.e. above the median.

The return for the nine -year period since half of the investments have been managed in-house is 13.1% annualised, which would place the fund in the 7% (percentile) of local authority funds for this period (Authorities average 12.3%).

The negative return for 2000/01 has resulted in a fall in the market value of the assets which is reflected in the reduction of Total Net Assets from £444.7m in 1999/2000 to £411.6m in 2000/01. This followed from the poor performance in equity markets during the year.

7. Investment Income

During 2000/2001 the fund received investment income of £ 11.10m (1999/2000-£ 11.18m) made up as follows:-

	2000/2001 £000	1999/2000 £000
Interest Received	1,058	934
Fixed Interest	3,703	3,779
Equities	6,233	6,338
Venture Capital	109	127
TOTAL	11,103	11,178

Investment Income may be categorised as follows:

	In-house £000	Framlington £000	Nikko £000	Phillips & Drew £000	Rothschild £000	Venture Capital £000	TOTAL £000
Interest Received on cash Deposits	118	52	142	41	558		911
Interest Received on Internal Balances	147						147
Fixed Interest				2,384	2,451		4,835
Foreign Exchange Hedging (Fixed Interest)				(648)	(484)		(1,132)
UK Equities	4,649	414					5,063
Overseas Equities			1,153				1,153
Tax Reclaims			53				53
Foreign Exchange Differences (Equities)			(41)				(41)
Underwriting Commission		5					5
Managed Funds (Venture Capital)						109	109
	4,914	471	1,307	1,777	2,525	109	11,103

8. Accounting Policies

- The Fund's accounts are compiled in accordance with the Local Government Pension Scheme regulations 1997, and the CIPFA Code of Practice 1996.
- Income and expenditure are accounted for on an accruals basis with the exception of liabilities to pay benefits in the future, and transfer values which are now accounted for on a cash basis in accordance with the July 1996 Pensions and Revenue Accounting Guidance (PRAG) .
- Investments are stated at market value as at 31 March 2001 with any unrealised profit or loss accruing to the Fund balance, rather than being included in the Revenue Account.
- Market Value for securities is determined by Stock Exchange prices on the balance sheet date. Stock Exchange prices are provided externally by Extel.
- Prices in foreign currencies have been converted into Sterling at the closing rates of exchange at the balance sheet date.
- Overseas income is converted at rates of exchange ruling when remitted.

g) Valuations of the unquoted venture capital investments are provided by the managers of the investments.

h) Statement of bodies contributing to the Pension Fund at 31.03.01:

CSV
Aquaterra
CEA / Mott McDonald
FSST
Caxton Islington Ltd.

i) The financial statements in respect of the Pension Fund do not take account of liabilities to pay pensions and other benefits after the scheme year end but rather summarise the transactions and net assets of the scheme.

9. Post Balance Sheet events

In accordance with the Local Government Pension Scheme Regulations 1997, as amended, there are 2 new external bodies whose employees are able to be members of the LGPS through admission agreements. The bodies are Caxton Islington Limited (formerly Islington Building Services) for whom an agreement was made in October 2000 and Financial Services Sector Training (FSST) whose agreement started April 2000.

GLOSSARY OF FINANCIAL TERMS

Accounting Standards

A set of rules about how accounts are to be kept. By Law local authorities must follow "proper accounting practices" which are set out both in Acts of Parliament and in professional codes and statements of recommended practice.

Annual Capital Guidelines (ACG)

The amount of capital money that the Government thinks the Council should be spending each year. (See **BCA**)

Asset Management Revenue Account (AMRA)

An account a local authority is required to maintain under the capital accounting arrangements applying from 1994/95 onwards. All principal repayments and interest charges on loans are charged to this account.

Whatever balance is arrived at should not be regarded as indicative of good or bad performance in regard to property management, but simply a balance that needs to be charged or credited to the revenue account in the year that it occurs. The AMRA effectively reverses out the capital charges made for asset rentals (notional interest and depreciation) in the service accounts to leave the annual external interest and loan repayment provision in the Consolidated Revenue Act

Asset Register

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

Bad Debts Provisions

Amount of money set aside to meet cost of monies owed to the Council not expected to be repaid.

Balances

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

Basic Credit Approvals

The amount of money the Government actually allows the Council to borrow to spend on capital projects. This is calculated as the **ACG** less **RTIA** - see both for further explanation .

Capital Challenge

A "regeneration" programme, submitted by the Council to develop the Marquess Estate and Highbury Grove School. Approved by the Government, the Capital Challenge programme is funded by Government grant and will allow the Marquess Estate to be developed in partnership with private and public (Housing Associations) funding.

Capital Discharged

Payments from revenue and other sources to pay for assets with realisable value.

Capital Expenditure

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

Capital Financing Costs

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

Capital Financing Reserve

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

Capital Grants

Monies received from Government departments and other statutory bodies toward the Council's capital expenditure. The main sources are for Home Renovation Grants, Transport ,City Challenge and SRB Schemes.

Capital Receipts

Monies received from the sale of Council assets. Generally speaking, a specified percentage of each receipt must be aside to repay debt, with the balance being available to pay for additional capital expenditure.

Central Support Services

The costs of central support services such as legal and finance which are reallocated to Service Heads so as to provide a more accurate picture of how much services cost in their totality. In the case of the **Housing Revenue Account** and trading accounts the reallocation of such costs is required by law.

Chargeable Dwellings

The number of dwellings in the Councils area liable for **Council Tax**.

Collection Fund

A separate account of Council Tax likely to be finally collected expressed as a percentage of the total amount due. For 2000/01, the Council's estimated collection rate was 95.5% .

Community Charge

Former local tax levied on individuals, now replaced by the **Council Tax**.

Contingent Liabilities

Sums of money which the Council will be liable to pay in certain circumstances e.g. as a result of losing court cases.

Council Tax

A tax on domestic property values, replacing the Community Charge.

Credit Approval

Authority from the Government which enables Councils to borrow money or use credit arrangements to finance the cost of capital expenditure. The **Basic Credit Approval** (BCA) can be used for any capital expenditure, whereas a **Supplementary Credit Approval** (SCA) must be used for the specific purposes for which it was given .

Creditors

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

Debt Charges

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

Debtors

Amounts of money owed to the Council for goods or services received.

Deemed Debt

Outstanding loans inherited from ex GLC housing .

Deferred Charges

Expenditure of capital nature, met from borrowing but where there is no tangible asset e.g. improvement grants. This includes loans outstanding on assets sold in cases where the sales proceeds were used for new capital investment. Deferred charges must reflect the continuing value of expenditure to an authority

Deferred Credits

Income of a revenue nature received in advance.

Deferred Liability

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

Deferred Purchase

This is a mechanism to raise capital for one year by contracting with a financial institution for it to incur expenditure, and then reimbursing it (plus a profit element) over a number of years . This is no longer a legal option for raising money; the Council is due to fully repay the amounts outstanding on past deals by 2005 .

Depreciation

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

Direct Expenses

Expenditure on e.g. employees, running costs which is directly controlled by the service involved.

Direct Revenue Financing (DRF)

The use of revenue monies to pay for capital expenditure, also known as Revenue Contributions to Capital Outlay.

Disposals

Sales of Council's assets -see **Capital Receipts**

External Auditors

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

- . The Council's accounts are prepared in compliance with applicable statutory provisions
- . The Council has observed proper accounting practices in compiling the accounts
- . The Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Fixed Asset Restatement Reserve

Represents principally the balance of surpluses or deficits arising on periodic revaluation of fixed assets.

General Fund

The Council's main revenue account which covers the net cost of all services other than the provision of Council housing for rent.

Government Grants Deferred

Government grant income received in advance.

Housing General Fund

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

Housing Revenue Account (HRA)

A statutory account which contains all expenditure and income on the provision of Council Housing for rent. The HRA must be kept entirely separate from the **General Fund** and the account must balance i.e. income must equal at least expenditure. Local authorities are not allowed to make up any deficit on the HRA from the General Fund.

Housing Subsidy

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

In and Out Arrangements

Where an asset is sold and the receipt is used to pay for a replacement -this could lead to 100% of the receipt being used for capital expenditure ,without the need to be set aside for debt redemption.

Indirect Employee Expenses

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

Infrastructure

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

Interest on Revenue Balances

The interest earned on monies which are not required for the time being.

Leases

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

Leasing Charges

The annual rental payments on items such as vehicles and computers which have been leased by the Council.
See **Capital Financing Costs**.

Levies

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

Long Term Debtors

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

Members Allowances

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

Minimum Revenue Provision (MRP)

The minimum amount which the Council must charge to the revenue accounts in the year, in respect of the repayment of principal of borrowing for capital purposes. The minimum provision is expressed as a percentage of the Council's total outstanding debt (2% for Housing Debt and 4% for everything else). In accounts, the minimum provision is included within capital financing charges.

Memorandum Account

These accounts are not part of the Council's formal statutory accounts and are included in the statement for added information.

National Non-Domestic Rates (NDR)

The rates paid by businesses. The amount paid is based on a rateable value set by the inland Revenue multiplied by a rate in the £ set by the Government which is the same throughout the country. The rates are collected by local authorities and paid over to the Government. They are then redistributed on the basis of resident population.

NDR Pool

Business rates are collected by local authorities and paid over to the Government. They are then redistributed on the basis of relevant population. The NDR pool is the fund operated by the Government into which all Business Rates are effectively paid and then from which they are redistributed to local authorities.

Preceptor

County Councils and other authorities who get their income from the billing authorities in their area. In London there is a single preceptor, the Greater London Authority (GLA). The Greater London Authority and its component bodies calculate their total spending needs for the year and the GLA sets its Council Tax in the same way as a London Borough. Their tax is then collected for them by each billing authority.

Provision

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

Provision for Losses on Collection

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

Rateable Value

The value of a property for rating purposes. Rateable values are set by the inland revenue. The rates payable by an individual business are calculated by multiplying the rateable value of the property by the rate in the £ set by the Government.

Rate in the £

The rates payable by businesses are calculated by multiplying the rateable value of the property by a rate in the £ expressed in pence. The rate in the £ for 2000/01 was 43.0 pence. The rates payable on a particular property is therefore the rateable value multiplied by the rate in the £.

Receipts taken into Account (RTIA)

A Government assessment of how many capital receipts the Council will raise in a year. This is then deducted from the **ACG** to produce the **BCA** -see both for further information.

Recharges

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

Related Party Transactions

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

Reserves

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

Revenue Contribution to Capital Outlay (RCCO)

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

Revenue Expenditure

Expenditure on day to day items such as salaries, wages and running costs. These items are paid for from service income, **RSG**, **NDR** and **Council Tax**. Under the Local Government Finance Act, all expenditure is deemed to be revenue unless it is specifically classified as capital.

Revenue Support Grant (RSG)

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

Section 151 Responsibilities

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

Service Level Agreements (SLAs)

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

Service Support Services Costs

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

Single Regeneration Budget (SRB)

A Government programme bringing together all the "regeneration" initiatives that previously operated as separate programmes. As funding of schemes approved under the individual programmes expires, it is "ploughed back" into new initiatives submitted by local authorities and approved by the Government e.g. Kings Cross Partnership.

Specific Grants

A grant receivable from a Government department which relates to expenditure incurred on providing a particular service e.g. Council Tax Benefits.

Standard Spending Assessment (SSA)

The amount allocated by the Government to individual local authorities to provide a standard level of service. SSAs are divided into a number of service blocks calculated on the basis of population and relevant service statistics

Statutory Account

Any account which the Council is, by law required to keep.

Supplementary Credit Approval (SCA)

SCAs are credit approvals given for specific purposes and can usually only be used in the year to which they relate. They are additional to **BCAs**.

Support Service

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

Trading Accounts

The profit and loss account of any trading organisation required to be disclosed separately in the Councils accounts

Transitional Relief

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

Transport Supplementary Grant (TSG)

Paid by the Government toward the cost of capital works to roads of more than local significance, meeting 50% of approved costs.

Turnover

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

Ultra Vires

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

Usable Capital Receipts

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

Write-Offs

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