Islington Council
Statement of Accounts 2019/20

Contents

Introduction by the Chief Financial Officer

I have great pleasure in presenting the Statement of Accounts for the year ended 31 March 2020. These accounts give a high-level overview of the council's finances.

Basis of these accounts

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

Overview of the council's finances

The council’s expenditure (revenue and capital) last year was £1,138m. This is made up of the gross cost of the day-to-day services we provide, plus the investments made in your assets and in new facilities for the borough. In the Comprehensive Income and Expenditure Statement, on the line called ‘Cost of Services’, you will see that the gross cost of these services was £1,020m, and in the Note on Capital Expenditure and Financing, you will see that we spent £118m on your assets/facilities.

To pay for all this the council received money from a variety of sources; the largest contribution came in the form of central government grants, whilst locally for residents their contribution is in the form of council tax. In 2019/20 this contribution amounted to £94m. We financed our investments through external contributions of £25m, contributions from the HRA of £46m, whilst £0.161m came from revenue sources, £30m from the sale of council assets and we borrowed £17m

This year’s Public Inspection of the Accounts period runs from 6 July 2020 to 14 August 2020 inclusive. Further details are available from our website.

David Hodgkinson
Corporate Director of Resources
30 November 2020

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

Report on the Audit of the Financial Satements

Opinion

We have audited the financial statements of the London Borough of Islington (the 'Authority') for the year ended 31 March 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Income and Expenditure Statement for the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.
Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Corporate Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.
However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments and pension fund investments

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the pandemic caused by the outbreak of COVID-19 has impacted global financial markets and as a result less weight can be attached to previous market evidence to inform opinions of value. The current response to COVID-19 means there is an unprecedented set of circumstances on which to base a judgement.

Valuations for PPE and investment properties are therefore reported on the basis of a 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case.

As further disclosed in Note 4, the uncertainty in the financial markets caused by the coronavirus pandemic creates further risk that the valuation of the unlisted investments held by the Pension Fund may have an increased level of uncertainty. The valuation of the Pension Fund's private equity, infrastructure and the Diversified Growth Fund valuations in the financial statements are presented in the context of a 'material valuation uncertainty'. Likewise, the review of the Council's pension fund property and pooled property fund asset values is reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently less certainty, and a higher degree of caution, should be attached to these property and investment values than would normally be the case.

Our opinion is not modified in respect of these matters.

Other information

The Corporate Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon and our auditor's report on the pension fund financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Corporate Director Resource and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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

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

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2020. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Use of our report

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

Paul Grady

Paul Grady, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
30 November 2020

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

Opinion

We have audited the financial statements of the London Borough of Islington Pension Fund (the 'pension fund') administered by the London Borough of Islington (the 'Authority') for the year ended 31 March 2020 which comprise the Pension Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the pension fund financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Corporate Director of Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment.
Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties. However, no audit should be expected to predict the unknowable factors or all possible future implications for a fund associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Corporate Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the pension fund financial statements shall be prepared on a going concern basis, we considered the risks associated with the fund's operating model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the fund's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the fund will continue in operation.

Emphasis of Matter - effects of Covid-19 on the valuation of property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the pension fund’s private equity, infrastructure, property and pooled property funds and the Diversified Growth Fund investments as at 31 March 2020.

For private equity and infrastructure investments, General Partners have considered the impact of the emergence and spread of Covid-19 and potential implications on future operations. These investments are presented in the context of a material valuation uncertainty. This consideration included, but is not limited to, the liquidity of the Partnerships including an assessment of the impact of a temporary reduction in income, no external debt held by the Partnerships, the ability of the Partnerships to draw down cash from investors in line with available undrawn commitments, which provides sufficient funds to cover operating expenses for at least the next 12 months, and business contingency plans to cope with sustained periods of remote working.

For pooled property investments, fund managers have reported that, as at the valuation date, they consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that funds were faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of ‘material valuation uncertainty as per VPS 3 and VPGA 10 of the RICS Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuations than would normally be the case.

For the Diversified Growth Funds, the Royal Institute of Chartered Surveyors (RICS) have advised that, as at 31st March 2020, there is a material valuation uncertainty of UK Real Estate funds due to market conditions.
Our opinion is not modified in respect of these matters.

Other information

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

In connection with our audit of the pension fund’s financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund’s financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund’s financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Corporate Director Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director of Resources. The Corporate Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Corporate Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Paul Grady

Paul Grady, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London
30 November 2020

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2019/20

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

Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

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

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

The core financial statements comprise:

- Movement in Reserves Statement – showing the movement on the different reserves held by the council, analysed into usable reserves (those that can be applied to fund expenditure or reduce taxation) and other reserves
- Comprehensive Income and Expenditure Statement – a summary of the resources generated and consumed by the council in the year
- Balance Sheet - highlights the council's financial position as at 31 March 2020, in particular what it owns versus what it owes
- Cash Flow Statement - illustrates the council's total cash transactions in the financial year, split between revenue expenditure (day-to-day expenditure), capital expenditure (long-term investment in assets) and financing transactions (how we pay for the expenditure).

The supplementary financial statements applicable to Islington council comprise:

- Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance – transactions relating to council dwellings.
- Collection Fund – receipts and payments relating to council tax and business rates.
- The Pension Funds Account and amounts attributable to trust funds are shown separately because they are not part of the council's single entity accounts. For the Pension Fund administered by Islington council, these include:
    - Fund Account - a summary of the resources generated and consumed by the fund in the year
    - Net Assets Statement - shows the Pension Fund's financial position as at 31 March 2020.

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

In common with most other local authorities, the Pension Fund has a deficit. The council asks an independent actuary to review the Pension Fund's position triennially and advise how to set the contributions to the Pension Fund to address the deficit. Such a review took place in 2019/20. More detailed information can be found in the Pension Fund Account pages.

Budget 2019/20

On 28 February 2019, the council agreed its 2019/20 budget, with a budget requirement of £215.8m. This resulted in a basic amount of band D council tax of £1,169.16 (representing a council tax increase of 2.99%) and a total amount of band D council tax (including Greater London Authority, GLA, precept) of £1,489.67.

General Fund Outturn 2019/20

There was an overall General Fund underspend, including schools, of £7.8m, of which £2.6m was then transferred to a new Budget Strategy Reserve. This resulted in a net General Fund underspend, including schools, of £5.2m and a corresponding transfer to General Fund balances (£5.8m increase in non-schools balances, offset by £0.6m decrease in schools balances).

Departmental income and expenditure (excluding HRA)	Gross Expenditure £'000	Gross Income £'000	Net Outturn £'000	Net Budget £'000	Over / (Under) £'000
Frontline Services					
People - Adult Social Services	143,230	(71,979)	71,251	72,666	(1,415)
People - Children, Employment and Skills (excluding Schools)	194,527	(120,658)	73,869	75,577	(1,708)
Schools	293,682	(276,800)	16,882	16,250	632
Environment and Regeneration	124,112	(102,123)	21,989	20,728	1,261
Housing	36,207	(21,122)	15,085	15,360	(275)
Public Health	28,787	(28,544)	243	243	0
Central Services					
Chief Executive	3,686	(1,666)	2,020	2,076	(56)
Resources	236,883	(195,292)	41,591	42,849	(1,258)
Corporate Items					
Corporate items (including contingency)	17,909	(264,725)	(246,816)	(243,152)	(3,664)
Application of COVID-19 grant	-	(1,265)	(1,265)	-	(1,265)
General Fund Variance (before outturn transfer to Budget Strategy reserve)	**1,079,023**	**(1,084,174)**	**(5,151)**	**2,597**	**(7,748)**
Outturn transfer to Budget Strategy reserve				(2,597)	2,597
Net General Fund Variance	**1,079,023**	**(1,084,174)**	**(5,151)**	**0**	**(5,151)**
Transfer to General Fund Balances (excluding schools)			5,783		5,783
Transfer (from) Schools Balances			(632)		(632)
Total					**5,151**

Departmental income and expenditure (including HRA)	Over / (Under) £'000
General Fund over/(under) spend for the year (including schools)	(5,151)
Housing Revenue Account over/(under) spend for the year	0
Net expenditure	**(5,151)**

Explanation of 2019/20 Variances

The General Fund underspend of £7.8m was due to:

- Environment and Regeneration – an overspend of £1.3m wholly due to the loss of income and exceptional items of expenditure in March 2020 related to the COVID-19 pandemic.
- Housing General Fund – £0.3m underspend, with underspends in staffing and grant income partly offset by overspends in temporary accommodation.
- People (Children's Services) – an underspend of £1.7m including four significant one-off underspends in relation to secure remand contingency, SEN transport contingency, redundancy provision not required and the lower than budgeted cost of the Children's social care transformation programme.
- Schools – a net overspend £0.6m transferred from schools balances.
- People (Adults) – an underspend of £1.4m including the use of one-off resources to offset underlying pressures.
- Public Health – Break-even position.
- Resources – a £1.3m underspend mainly relating to vacancy savings.
- Chief Executive – a £0.1m underspend including a minor underspend on staffing and other running costs.
- Corporate items - £4.9m underspend, including a net £1.8m of debt interest savings as a result of pursuing an efficient borrowing strategy, an underspend of £3.7m on other corporate items including the corporate contingency budget and almost £1.3m of COVID-19 government grant funding to offset the financial impact of the pandemic on the 2019/20 General Fund outturn position.

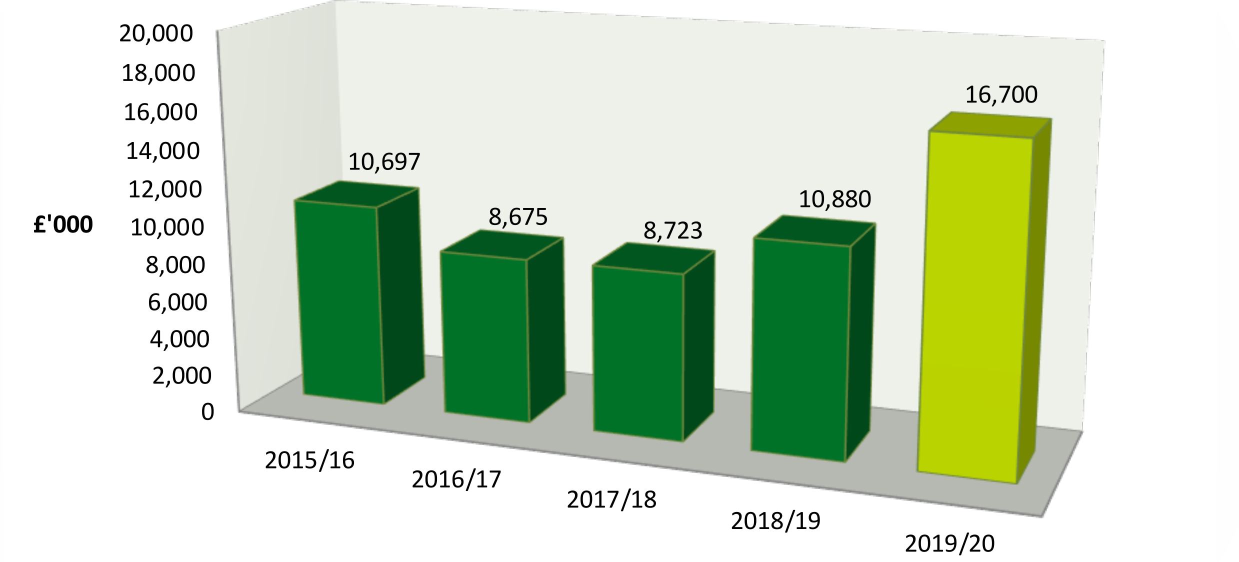
The 2019/20 Provisional Outturn report on the council's website will give a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To maintain its financial resilience, as a minimum the council aims to maintain the General Fund balance (excluding schools) at a level where it is commensurate to the council's overall level of budget risk that the council faces over the medium term. On 31 March 2020 the General Fund balance (excluding schools) totalled £16.7m (£10.9m on 31 March 2019). The schools balance totalled £11m (£11.8m on 31 March 2019).

The council has limited powers to supplement its budget from reserves. It is required to maintain a reasonable level of General Fund balances, whilst schools and HRA balances are ring-fenced. However, it can use earmarked reserves to supplement the budget if they are no longer required.

General fund balances over the last five years have been as follows



Housing Revenue Account 2019/20

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The 2019/20 outturn will be a break-even position after transfer to HRA balances. As at 31 March 2020 the HRA balance including HRA earmarked reserves totalled £108.4 m (£95.2m as at 31 March 2019), including a £0.3m transfer to HRA reserves.

The main variances between budget and outturn included underspends of £2.5m on dwelling rents, £2.8m on leaseholders' charges, £2.1m on other income and £2.4m on PFI payments. This was offset by overspends of £3.7m on repairs and maintenance, a £2.6m transfer to major repairs reserve, £1.4m capital financing costs and £1m bad debt provisions plus smaller overspends in general management and, rent and rates.

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

Capital Expenditure and Funding 2019/20

The council delivered £118.5m of capital expenditure in 2019/20, representing 77% of the annual programme. The table below sets out this expenditure by department.

Capital Programme 2019/20 Outturn	2019/20 Capital budget £m	2019/20 Capital expenditure £m	Re-profiling (to)/from future years £m
People - Adult Social Services	0.0	0.0	0.0
People - Childrens Employment and Skills	13.7	10.7	(3.0)
Environment & Regeneration	20.8	14.8	(5.9)
Housing	114.3	90.7	(23.6)
Resources	5.2	2.3	(2.9)
Total Capital Programme	**153.9**	**118.5**	**(35.4)**

The funding of the 2019/20 capital programme is shown in the table below.

Funding Sources	2019/20 £m
Usable Capital Receipts	30.1
Borrowing	16.7
Government grants and other external contributions	25.2
Major Repairs Reserve	46.3
Capital expenditure charged in-year to revenue accounts	0.2
Total funding	**118.5**

Net Assets as at 31 March 2020

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

This year it shows net assets of £2.71bn, (made up of £4.3bn of assets and £1.59bn of liabilities). The most significant asset held by the council is its Property, Plant and Equipment portfolio (worth £4.01bn), of which council dwellings make up £3.05bn.

The largest liability facing the council is in relation to the Pension Scheme (£911m). Details of this scheme and the council's plans to overcome the liability are given later in the Narrative Report.

The balance sheet also includes a long-term liability of £96m relating to the council's PFI and similar schemes and is payable over the next 21 years. Further details can be found in Note 21. There were no individually material assets added this year or significant new liabilities incurred.

Current assets (amounts due within 12 months) include £84.7m of short-term debtors (£65.7m 2018/19). £37m was owed by central government and other public sector bodies mainly for grants and reimbursements. Other debtors include council tax, NNDR and parking debts. Short-term debtors are included in the balance sheet net of a £76.7m provision for uncollectable debts. Whilst the council makes every effort to recover outstanding debts, it is prudent to set money aside to allow for the possibility that some debts will not be recovered.

The balance sheet also includes short-term creditors of £126.3m (£119.5m 2018/19). A significant proportion of these relate to central government and other public sector bodies, at £51.2m. Short-term PFI creditors amounted to £15.1m.

Borrowing and Investments 2019/20

As at 31 March 2020, the council had £148.8m of temporary investments and £44m of temporary debt. These investments were for periods ranging from overnight to 362 days at an average interest rate of 0.8% for temporary investments and 0.57% for temporary debt. The total long-term debt is now £ 302.1m (£227.6m from the Public Works Loan Board, £54.5m from other local authorities and a £20m commercial loan) compared to £277.2m as at 31 March 2019, an increase of £24.9m. The average rate of interest on debt has decreased from 4.14% % in March 2019 to 3.87% in March 2020.

During the year, the council complied with the treasury limits and Prudential Indicators set out in the council's Annual Treasury Management and Investment Strategy 2019/20.

31 March 2019 £'000	Treasury Management Cashflow	31 March 2020 £'000
20,792	Cash and Cash Equivalents	54,206
85,482	Short Term Investments	90,452
106,274	**Total**	**144,658**

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

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

Material and unusual charge or credit to the accounts

There were no material and unusual charges or credits to the accounts in 2019/20.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £33.5m as at 31 March 2020 (£32.4m as at 31 March 2019). The most significant provision is the Insurance Provision (£16.7m as at 31 March 2020). Since 1992/93, the council has self-funded many of its insurable risks and a large part of the provision relates to claims submitted against the council since then which are still open, where the council has not yet paid out. As a result of our former insurers MMI ceasing trading the council will have to repay a portion of previously settled claims and MMI will only contribute a reduced percentage towards future claims. The Insurance Provision also covers these liabilities relating to MMI.

Material events after the reporting date

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

Significance of the pensions liability

The estimated pensions liability facing the council is £911.5m at the end of the financial year (£916.4m as at 31 March 2019). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. The total net liability of £911.5m has a substantial impact on the net worth of the council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

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

In 2020/21, the council is expected to make contributions of £55.8m to the Local Government Pension Scheme and the London Pension Fund Authority.

The council has issued around £1.1m of soft loans, mainly to employees. Further details can be found on Page 80.

Looking forward

On 27 February 2020, the council agreed its budget for 2020/21 and set a budget requirement of £228.3m . This resulted in a basic amount of band D council tax of £1,215.81 (representing a council tax increase of 3.99%) and a total amount of band D council tax (including GLA precept) of £1,547.88

Planned Revenue Expenditure	**2020/21** £m
Departments	
People - Adult Social Services	63.5
People - Childrens Employment and Skills	84.7
Environment and Regeneration	17.3
Housing	10.4
Other Services	52.4
Net Cost of Services	**228.3**
Net Operating Expenditure	**228.3**
Funded by	
Retained Business Rates	105.0
Council Tax	98.8
Revenue Support Grant	24.5
Funding from Taxation & Government Grants	**228.3**

The council has made £239m of savings between 2011 and 2020 to balance its budget and the 2020/21 budget included savings of £9.7m to ensure medium-term financial sustainability and cover unavoidable cost increases due to inflation, demographic factors, and service cost pressures.

There is currently an estimated net budget gap of around £58m over the 3-year financial planning cycle to 2023/24. It should be emphasised that this estimated budget gap is in addition to existing agreed savings totalling £24m. The medium-term financial outlook is the most uncertain it has ever been and subject to change significantly as further information emerges on key budget variables, including the following:

- The extent to which the council's reserves are depleted by 2020/21 COVID-19 related budget pressures and therefore need to be replenished in future financial years
- Ongoing COVID-19 financial pressures and recovery of income streams, including the risk of a second spike of the virus
- Delivery of agreed savings

- Government Spending Review and future local government finance settlements, including any additional social care funding and/or precept and local government funding reforms such as the reset of business rates retention growth and fair funding review
- Adult social care Green Paper including reforms to social care funding and closer integration of social care with the NHS
- NHS long-term plan including increased emphasis on the provision of local mental health crisis services and preventative healthcare including public health
- Continuing impact of the rollout of universal credit including support to local residents experiencing hardship as a result of reduced income or delays in initial payments
- The impact of exiting the European Union on 31 December 2020 including the recruitment of staff in key areas such as social care

On 27 February 2020 the council agreed a capital programme of £478.9m over the three years from 2020/21 to 2022/23 as shown below:

Capital Programme 2020/21 to 2022/23	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Housing	142.3	148.1	135.4	425.8
People - Adult Social Services	0.7	0.0	0.0	0.7
People - Childrens Employment and Skills	5.2	5.5	0.0	10.7
Environment and Regeneration	19.2	10.3	11.3	40.8
Resources	0.9	0.0	0.0	0.9
Total Capital Programme	**168.3**	**163.9**	**146.7**	**478.9**

Corporate information summary

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

Impact of COVID-19 on the council

Introduction

COVID-19 has had a wide ranging impact on council services including adults' and children's social care, housing, registrars, democratic services, digital services, street markets, parks and leisure centres to name but a few. These impacts have been monitored on a regular basis by the council. The likely impact of COVID-19 on future service provision is unclear and evolving, but will be significant.

Local Residents and Businesses

The council has launched a borough-wide helpline to assist residents who are vulnerable or self-isolating as a result of COVID-19. The 'We are Islington' helpline offers assistance with food drops, medicine and other practical support, as well as arranging someone to talk to if people are feeling lonely while self-isolating. The council also received almost £4m from the government Hardship Fund to provide additional support with council tax costs and other hardship support for the least well off residents.

Local businesses forced to close or otherwise affected by COVID-19 have been supported by the council through a business rates holiday in 2020/21 for all businesses with a rateable value of under £100k or cash grants of up to £25k for retail, hospitality and leisure businesses forced to close. The council has received almost £58m from the government to cover the estimated cost of the cash payments support scheme and will be fully compensated for the cost of the business rates holiday for smaller businesses.

Council Workforce

As at 1 May 2020, 51% of staff were working from home, 34% were on site, and 15% unavailable (sickness, leave, and part-time). Over 2000 staff responded to the council's redeployment survey, with 900 willing to work evenings and weekends.

Procurement and Supply Chains

The government has issued a number of Procurement Policy Notes (PPN) regarding COVID-19 and the supply chain:

- Procurement Policy Note 01/20: Responding to COVID-19
- Procurement Policy Note 02/20: Supplier relief due to COVID-19
- Procurement Policy Note 03/20: Use of procurement cards - COVID-19

Organisations in the council's supply chain affected by the current situation may also have used the government's Job Retention Scheme. The council has posted a guidance note on the staff intranet regarding supplier relief. Contracts have been assessed on a case-by-case basis and amendments made where appropriate to payment terms, or changes to contracts via short-term interim variations based on the PPN provided by central government. Where "emergency" provision has been secured with new providers, retrospective paperwork has been completed for audit purposes.

Financial Resources and Sustainability

The 2020/21 budget report highlighted the need to increase General Fund reserves to provide additional resilience for significant budget risks over the medium term. The impact of COVID-19 has made this an immediate priority. As a first step to addressing this:

- £5.783m of the 2019/20 underspend has been used to increase the General Fund balance to £16.664m pending further review of the target General Fund balance commensurate to the council's overall level of budget risk that the council faces over the medium term.
- The previous Services Specific reserve has been re-designated as a corporate Budget Risk and Insurance reserve with the exception of the ring-fenced element related to Public Health that will now be held in a separate reserve. This reflects the need to manage reserves more strategically in light of the significant budget pressures and risks facing the council immediately and over the medium-term.
- The previous earmarked transformation, Invest to Save and capital reserves and £2.597m of the 2019/20 underspend have been consolidated into a new corporate Budget Strategy reserve to provide one-off funding linked to the delivery of the MTFS (e.g. one-off investment costs, revenue impact of capital expenditure, redundancy costs).

Reflecting these changes, as at 31 March 2020 the council had a General Fund balance of £16.664m (including £11.208m schools balances) and total General Fund earmarked reserves of £80.258m.

Overall, the council is currently facing total COVID-19 related budget pressures of around £62.2m. This includes COVID-19 related budget pressures of £1.3m at the end of the previous financial year (2019/20), forecast General Fund pressures of £39.8m in 2020/21, £15.6m potential council tax and business rates income losses that would impact the 2021/22 budget and £5.5m HRA budget pressures. The council has received total grants of £15.6m from government as a contribution towards our extra costs as we deliver the local response to this crisis, which leaves a total COVID-19 related funding gap of around £47m (before any additional government funding).

Other financial impacts of COVID-19 include the following:

- £52.8m of cash payments had been made to local businesses by end of May 2020, out of the £57.8m funding allocated to Islington for this purpose
- The longer term impact on service budgets is unclear but is likely to particularly impact on areas such as social care, homelessness, environment, public health, digital services, property management, HR (with more remote working) and economic development
- Impacts on capital programmes, financing and asset valuations could include changes to the value of property assets, availability of financing from sources such as capital receipts, and delays in housing projects in particular as most construction activity has ceased during the lockdown other than that of a safety critical nature
- Reductions in income and additional costs highlighted previously will have had a significant impact on cash flow, debt management and capital financing

Cash Flow

Additional costs and loss of income as a result of COVID-19 are likely to be reflected in our cash flow position. The government has delayed over £20m of business rates payments due in the first quarter of 2020/21, and has paid all social care grants due for the first quarter of the year up front in April, improving our position by about £3m. This will have mitigated the impact on our cash flow but close monitoring will continue.

Plans for Recovery

The council has taken actions to ensure the adequacy of its reserves and balances and is closely monitoring the impact of service budgets and provision plus other areas such as cash flow, capital programmes and key risks. However the amount of support provided by central government will need to be increased going forward to cover additional costs and income losses as they materialise and ensure ongoing financial sustainability, avoiding the necessity for significant additional savings or service reductions. A gradual reopening of services will occur when conditions allow.

Service Impact of COVID-19

People

It is difficult to ascertain the long-term impact of COVID-19 on the council with particular reference to adult social care, however there is a real risk of long-term increases in demand for:

- Mental Health Services due to shielding, impact on carers from COVID-19 and current unavailability of services
- Older People services due to increased acuity of need as result of COVID-19 infection and suppressed demand
- Increased carers breakdown due to the service users with Learning Disabilities and other challenging behaviours unable to leave their homes
- Services and funding from No Recourse to Public Funds (NRPF) cases
- Increased need for temporary accommodation
- Funding for voluntary and community sector partners as the lockdown reduces organisational income and increases demand for services

The majority of Islington schools have been closed since 20 March 2020, although some schools have remained open for children of key workers and vulnerable children. 27 schools remained open over the Easter holidays and over 1,200 laptops have been provided for children with no device at home to help with distance learning. Although the government proposed there should be a limited reopening of schools from 1 June 2020 this has been dependent on the judgment of the council and individual schools that it is safe to do so.

Environment and Regeneration

COVID-19 has also had a significant impact on the Environment and Regeneration service. This has included a significant impact on income streams that the council rely upon to deliver its services. Income from parking and leisure have been particularly impacted with other streams such as commercial waste, planning and licensing also affected. There have been some emerging pressures relating to measures to enable safer social distancing on the highways that will have a longer-term impact in terms of implementation costs and loss of parking income from parking bay suspensions.

Housing including Housing Revenue Account

The impacts on the Housing Revenue Account include the following:

- HRA balances of around £100m will be able to absorb the loss of income from rents and service charges and additional costs such as PPE in the short term. However, in the medium-to-long-term there could be reduced earmarked funds available for housing stock maintenance and improvement leading to delays or scaling back of work programmes or additional savings requirements in management and repairs budgets.

- A reduction in right to buy receipts in the longer term could reduce the level of receipts available for the new build programme and reduce the numbers and rate of delivery of new social rented properties.

The delay in progressing capital programmes due to the lockdown and ongoing social distancing measures could lead to significant slippage of the programme in 2020/21.

Islington facts and figures

- 15 square kilometres – the second smallest London borough
- Growing population - 241,600, an increase of nearly 15% or 30,600 since 2011 with an increase of 3 % expected over the next ten years
- Most densely populated authority in the country with 15,818 people per square kilometre, this is three-times the London average and 37-times the national average
- Young – 18% under 18, only 9% over 65
- Diverse population – 32% BME with 48% White British or Irish and 20% Other White, 32% born outside the UK.
- 7,580 people in the borough are on Disability Living Allowance
- 10,000 businesses
- Economic inequality – the borough includes areas of affluence and significant deprivation, with every ward including neighbourhoods among the 20% most deprived in the country. Life expectancy varies significantly across the borough, but average life expectancy in Islington is amongst the lowest in London and significantly lower than the London and national average.
- Deprivation - Islington is the 53rd most deprived authority in England. It has the tenth highest rate of child poverty and fourth highest rate of pensioner poverty.

Islington council performance and priorities

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

Performance Highlights - Our Strategic Objectives

Homes - Delivering Decent and Genuinely Affordable Homes for All

- Increase the supply of choice and genuinely affordable homes
- Ensure effective management of council housing
- Prevent homelessness and support rough sleepers
- Improve housing conditions for private tenants

Achievements:

- **316** (target: 350) households in nightly-booked temporary accommodation
- **88%** (target: 85%) LBI repairs fixed first time
- **348** (target: 400) households accepted as homeless

Challenges

- **3.9%** (previous year: 2.9%) LBI rent Arrears
- **3.7%** (target: 3.25%) PFI rent arrears
- **28** (target: 41) new council homes

Jobs and Money - Delivering an Inclusive Economy, Supporting People into Work and Helping Them with the Cost of Living

- Reduce levels of long-term unemployment and worklessness.
- Help residents get the skills they need to secure a god job
- Create an inclusive economy and support local businesses
- Work with local businesses and our contractors to ensure they're fair employers
- Provide practical support to help residents cope with the cost of living

Achievements
- **1318** (target: 1,000) residents supported into paid work
- **1336** (target: 1,334) residents enrolled on an Adult & Community Learning Course
- **3643** (target: 3,500) referrals into SHINE

Challenges
- **32** (target: 53) residents supported council apprenticeships
- **348** (target: 468) parents of children aged 0 – 18 supported into paid work
- **309** (target: 600) disabled people / those with long term health conditions enrolled onto Adult & Community Learning course

Safety - Creating a Safe and Cohesive Borough for All

- Make sure fewer young people are victims or perpetrators of crime
- Reduce levels of crime or antisocial behaviour
- Celebrate and protect our diverse and integrated communities
- Keep consumers informed and safe

Achievements
- **7** (target: 25) custodial sentences for young offenders (under 18)
- **123** (target: 103) homophobic offences reported to the Police
- **41** (target: 60) knife crime with injury offences

Challenges
- **282** (target: 204) serious youth violence offences
- **1,683** (target: 1,374) robbery offences
- **2,501** (target: 2,772) domestic abuse offences

Children and Young People - Making Islington the Best Place for Young People to Grow Up

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

Achievements
- **70%** of 2 year old places taken up by low income families, SEND or looked after children
- **17.5%** (below target of 18%) re-referrals to Children's Social Care within the previous 12 months
- **97%** Percentage of Islington school leavers in Year 11 who move into education or training

Challenges
- **14%** Secondary school children persistently absent
- **18%** (target: 13%) children become subject of a Child Protection Plan for a second or subsequent time
- **16%** (target: 9%) fixed period secondary exclusions

Place and Environment - Making Islington a Welcoming and Attractive Borough and Creating a Healthy Environment for All

- Keep the streets clean and promote recycling
- Make it easier and safer for people to travel through the borough and beyond
- Make sure residents have access to high quality parks, leisure facilities and cultural opportunities

Achievements
- **221** (target: 200) secure cycle facilities installed over the last two years
- **88%** (target: 84%) minor planning applications determined within target
- **318** (target: 350) average missed waste collections

Challenges
- **176** (target: 200) electric vehicle charging points installed

- **29%** (target: 30%) household waste recycled and composted
- **2.07m** (target: 2.18m) visits to our leisure centres

Health and Independence - Ensuring our Residents Can Lead Healthy and Independent Lives

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

Achievements

- **55%** (target: 50%) smokers using Stop Smoking services who quit
- **51%** (target: 50%) entering Improving Access to Psychological Therapy treatment who recover
- **124** (target: 134) new permanent admissions to residential and nursing care

Challenges

- **12%** (target: 20%) drug users who complete treatment and do not re-present in 6 months
- **84%** (target: 95%) discharged from hospital into enablement services
- **7** (target: 5) beds per day occupied by patients deemed to be a delayed transfer due to Social Care

A Well-Run council - Continuing to be a Well-Run council, Making a Difference Despite Reduced Resources

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

Achievements

- **107k** (target: 125k) visits in person at Customer Contact Centre
- **345k** (target: 367k) telephone calls through Contact Islington call centre
- **20.9%** (target: 20.6%) BME staff within top 5% of earners

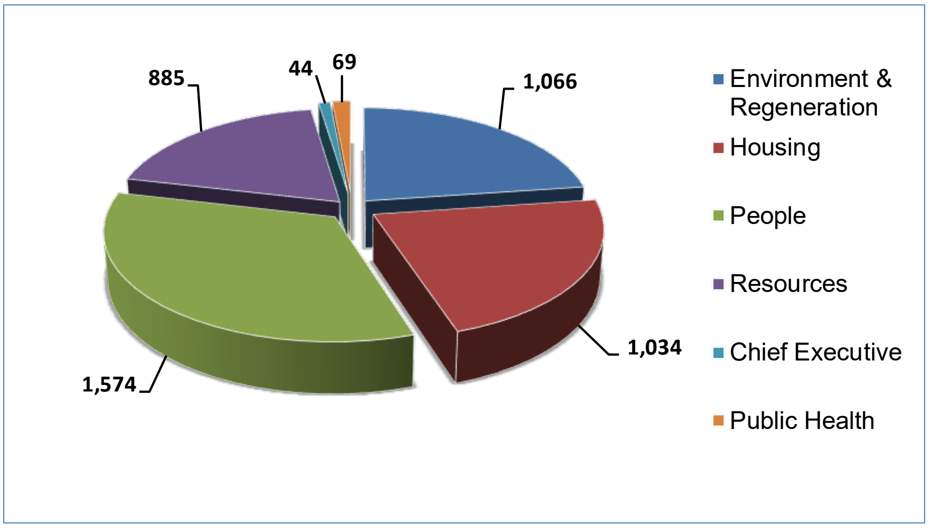
Challenges

- **153k** (target: 168k) online transactions
- **11.5%** (target: 10%) of workforce are agency staff
- **5.81%** (target: 6.5%) of disabled staff within the top 5% of earners

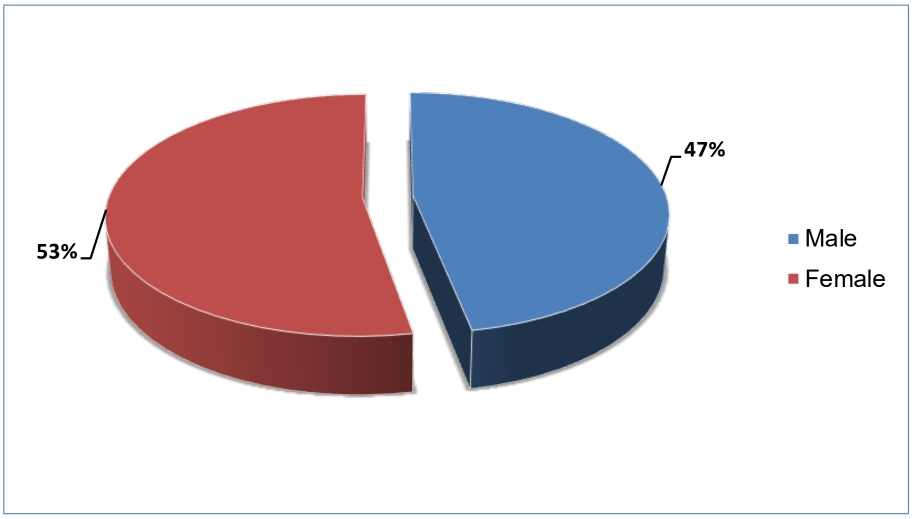
Staffing

The latest available council's employee headcount (not at year-end) is 4593, an increase of 171 people in the last year.

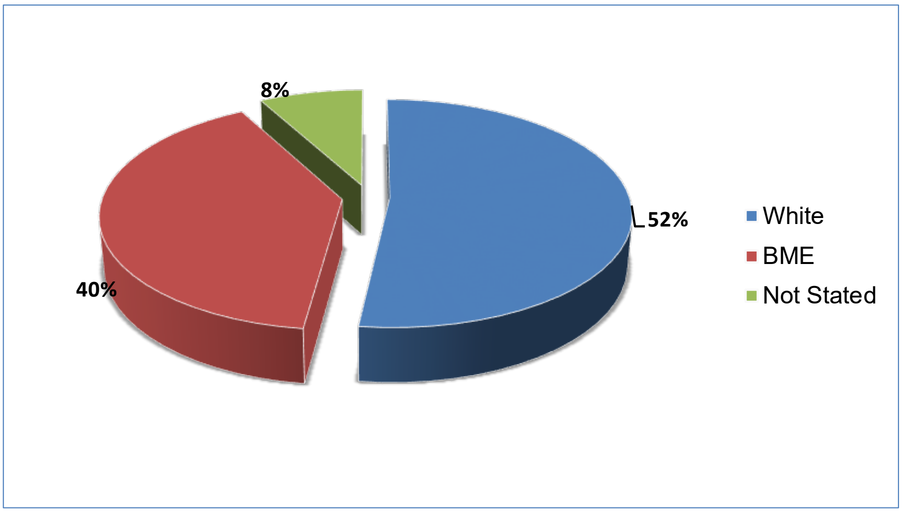
Department:



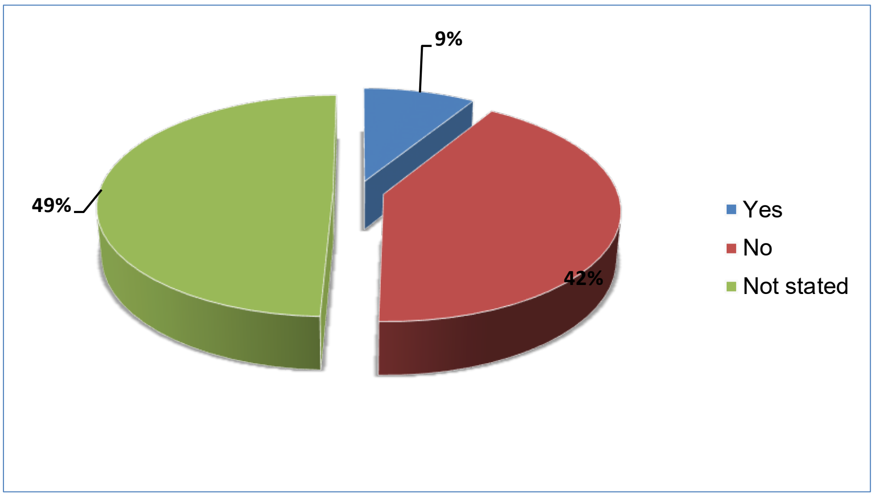
Gender:



Ethnicity:



Disability:



Key Risks

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

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

COVID-19 financial impact

The council's financial resilience is at immediate risk as a result of COVID-19 measures. A number of activities have been undertaken to support residents and our council services throughout the pandemic. A number of these measures have significant and unbudgeted impacts. COVID-19 has resulted in an unexpected loss of income in excess of £45m (from lost income in parking and leisure, council tax, business rates and rents). The exact quantum of this lost income remains uncertain due to the nature of the pandemic and the measures in place. The financial pressure on both the General Fund (GF) and Housing Revenue Account (HRA) mean there is a risk that the council may not have sufficient resources to fund all of its priorities. The government have provided some financial support to the council, however this support does not cover the cost our losses to date, the government may provide further financial support but this has not been confirmed, we assume that not all of our costs will be reimbursed. We are keeping our financial position under review as lock-down is eased and services come back on-line, residents and businesses resume payments and we start to return to a new normal.

Overall, the impact of the measures put in place to tackle the COVID-19 crisis put at risk our financial position. However a portion of our COVID-19 related costs/losses are considered one-off, therefore as lockdown is eased we may start to have increased cost certainty and the ability to collect delayed income. Members and Officers have been working with other local authorities and bodies to lobby for additional funding. We are continuously reviewing and updating the financial position to aid understanding the issue and financial planning.

External Financial Funding

COVID-19 has led to delays in key developments including Fair Funding, Spending Review and Business Rates reset. The Fair Funding review is expected to impact on Islington finances by moving money away from London towards the north of the Country. We were expecting the review to be implemented for 2021/22 but this is now to be delayed. We are also anticipating that the next Spending Review will reflect the fact that the government has borrowed significant sums to deal with the pandemic and therefore the overall funding available to local government is likely to reduce. Finally, government has committed to resetting the business rates funding model to remove the growth that authorities have built up over the past few years. Again, this reset is delayed

Overall, we have some short term certainty around our funding position due to the confirmation of timing delays of these reviews, however the structure/scale and pace of expected funding changes remain uncertain impacting our ability to plan our finances. The Corporate Management Board and the Executive closely monitor financial performance delivering robust financial monitoring on a monthly basis.
Also the Society of London Treasurers. London Council's and GLA undertake lobbying regarding the outcomes of the government reviews. LBI will respond to consultations as they arise. Understanding and modelling expected impact is also key to enable financial/service planning, informing MTFS.

Other
The capital programme has been re profiled to reflect COVID-19 delays. Major Projects and Corporate Asset delivery boards will increase the effectiveness of our controls in monitoring schemes but also act as a gateway to identifying potential schemes with high risk and therefore recommending that they do not progress onto the capital programme.

Savings delivery
COVID-19 is currently not expected to have a significant direct impact on in-year savings delivery. However, the medium-term outlook is very uncertain and possible impacts include delays to commercial property income savings.

Specific risks on the risk register (covered in the 2019/20 principal risks update report) are summarised in the table below

Details of risk	**How risk is being mitigated**
Brexit – disruption to local council services and supply chains	Inclusion of service risk mitigation plans in business continuity plan and wider council strategy, along with monitoring central government guidance and London Resilience Group activity
Youth Crime and serious youth violence – increase in crime and harm caused, failure to respond adequately or prevent crime despite funding and well publicised plans	Updating and review of Youth Crime communications and Working Together for Safer Islington plans
Cyber security – process control networks and / or critical information assets may be compromised	Development of Enterprise Resource Planning and increased automation, roll out training, introduction of Chief Information Officer approval requirements and cyber breach test exercise
Serious information breach or non-compliance with legislation – failure to keep sensitive and / or personally identifiable information secure	Systems data deletion and retention requirements, training for information asset owners, information and cybersecurity awareness, mock information audit, review of data security and data protection working groups, and guidance from Information Commissioners Office
Response and resilience – inability to recover critical internal processes or respond effectively to major incident following disruptive event within suitable timeframe	Implementation of business continuity audit recommendations (including out of hours services), use of emergency generator, review of resources, and business continuity tests (cyber-attack / housing stock incident)
Safeguarding adults – failure to fulfil statutory obligation to identify or respond to significant preventable harm to adults at risk of abuse	Longer term sourcing of Mental Health recording solution jointly with Camden.
New build housing – delay or inability to deliver new build programme to time quality or cost	More funding for planning officers and planning development managers (from GLA Homebuilding Capacity Fund bid), appointment of New Build Service Director and implementation of action plan recommendations
Financial Strategy (increasing risk due to postponing of full spending review and fair funding review) - failure to balance budget over medium term including achieving cash savings	Responding to government funding consultations and embedding project and risk management training

Safeguarding children – ineffective protection of children and parents	Developing Joint Targeted Area inspection action plan , adherence to quality assurance framework and regular reports to safeguarding accountability meetings and scrutiny panel
Serious Health and Safety incident (housing) – serious incident relating to housing stock	Liaison with London Fire Brigade and Ministry of Housing Communities and Local Government, and engagement with government on building safety consultations.
IT delivery and transformation – failure to deliver IT projects enabling transformation	IT business plan including review of in house capabilities, sourcing of external expertise and identifying critical infrastructure approaching end of life
Change programme delivery – failure to implement change projects	Embedding project and risk management training
Welfare reforms – (increasing risk due to impact of Universal Credit on rent arrears) - failure to efficiently collect rent following introduction of Universal Credit when housing support paid directly to claimant, evictions and homelessness may increase	Direct debit payment options for tenants, Universal Credit training, personal budgeting and digital support, Housing Benefit data scrutiny, and liaison with partners.
Health and Safety (general) – significant health and safety incident (non housing)	British Safety Council audit, adequately providing for staff with complex needs, asbestos testing, review of policy, annual performance report and audit of secondary schools
Contract management – significant contractor failure or contractors failing to deliver within agreed parameters of quality cost and schedule	Review of guidance, strategic contract management and financial assurance, Strategic Procurement supporting best practice, review of contracts by Commissioning and Procurement Board and training provision
Serious fraudulent activity – (increasing risk due to increased number of investigations) – includes serious fraud or corruption	Fraud forum terms of reference and reporting arrangements, resourcing of corporate investigations, roll out of fraud training and use of London counter fraud hub.
Housing delivery (new risk) – failure to meet targets due to shortage of sites and market turbulence affecting developers, leading to inability to meet commitments to residents and reduced ability to achieve planning benefits and progress key policies	Development, examination and adoption of new local plan
Social care market instability (new risk) – provider failure or withdrawal due to financial pressures, leading to increased safeguarding and financial risks	Monitoring provider market, review of contingency plans, and collaboration with other neighbouring authorities and local NHS
Health and social care integration (new risk) – lack of capacity, resource and integrated services to meet needs, due to funding constraints and differing provider priorities, leading to poor health and care outcomes	Developing 5 borough commissioning framework, including governance, local voice and influence and decision making powers of partnership board
CCTV failure (new risk) – equipment failure due to outdated equipment or lack of investment leading to breaches of regulations	Considering consultancy review of strategic direction of CCTV
Recruitment and retention (new risk) – failure to attract and retain talent due to lack of resource to deliver Human Resources strategy, inability to anticipate and meet needs, and get right people with the right skills, in the right roles at the right time	Implementing workforce strategy stage 1, strategic review of recruitment procedures and benchmarking, consolidating and promoting benefits package, and improved branding via Linked In to attract new applicants
Capital programme (new risk) – failure to adequately manage capital programme due to inadequate governance and project management, leading to financial loss, breaches of regulations and reputational damage	developing capital board oversight and preparing for new capital strategy and governance

Statement of Responsibilities for the Statement of Accounts

The Statement of Responsibilities for the Statement of Accounts is prepared in accordance with the requirements of the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20* (the Code). The council's designated Chief Finance Officer (as defined by Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988) is the person responsible for the proper administration of the council's financial affairs.

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2020 and of its income and expenditure for the year then ended.

David Hodgkinson
Corporate Director of Resources
30 November 2020

Approval of the accounts

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

Councillor Nick Wayne, Chair of the Audit Committee
30 November 2020

Movement in Reserves Statement

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

Movement in Reserves 2019/20	General Fund £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2019 carried forward	**22,721**	**69,572**	**17,521**	**77,674**	**56,704**	**36,747**	**4,052**	**284,991**	**2,366,254**	**2,651,245**
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	(60,454)	-	18,676	-	-	-	-	(41,778)	96,732	54,954
Adjustments between accounting basis & funding basis under regulations (Note 13)	76,291	-	(5,462)	-	(17,481)	(14,838)	(578)	37,932	(37,932)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**15,837**	**-**	**13,214**	**-**	**(17,481)**	**(14,838)**	**(578)**	**(3,846)**	**58,800**	**54,954**
Transfers to/(from) Earmarked Reserves (Note 27)	(10,686)	10,686	(13,214)	13,214	-	-	-	-	-	-
Increase/ (Decrease) in 2019/20	**5,151**	**10,686**	**-**	**13,214**	**(17,481)**	**(14,838)**	**(578)**	**(3,846)**	**58,800**	**54,954**
Balance at 31 March 2020 carried forward	**27,872**	**80,258**	**17,521**	**90,888**	**39,223**	**21,909**	**3,474**	**281,145**	**2,425,054**	**2,706,199**

The General Fund carried forward balance of £27,872k comprises of £16,664k General Fund balances and £11,208k of school reserves as shown in the expenditure and Funding analysis footnote on page 60.

Movement in Reserves 2018/19	General Fund	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Earmarked HRA Reserves £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Total Useable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2018 carried forward	**18,042**	**65,421**	**17,521**	**62,409**	**68,925**	**51,458**	**1,259**	**285,035**	**2,573,158**	**2,858,193**
Movement in reserves during 2018/19										
Total Comprehensive Income and Expenditure	(69,090)		19,926					(49,164)	(157,784)	(206,948)
Adjustments between accounting basis & funding basis under regulations (Note 13)	82,887		(4,661)		(12,221)	(14,711)	(2,174)	49,120	(49,120)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**13,797**	**0**	**15,265**	**0**	**(12,221)**	**(14,711)**	**(2,174)**	**(44)**	**(206,904)**	**(206,948)**
Transfers to/(from) Earmarked Reserves (Note 27)	(9,118)	4,151	(15,265)	15,265	-	-	4,967	0	-	0
Increase/ (Decrease) in 2018/19	**4,679**	**4,151**	**0**	**15,265**	**(12,221)**	**(14,711)**	**2,793**	**(44)**	**(206,904)**	**(206,948)**
Balance at 31 March 2019 carried forward	**22,721**	**69,572**	**17,521**	**77,674**	**56,704**	**36,747**	**4,052**	**284,991**	**2,366,254**	**2,651,245**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis (note 12) and the Movement in Reserves Statement.

2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	Comprehensive Income and Expenditure Statement	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
107,974	(39,703)	68,271	People - Adult Social Services	114,907	(43,656)	71,251
143,358	(74,537)	68,821	People - Children, Employment and Skills (excluding Schools)	156,256	(82,387)	73,869
140,153	(128,554)	11,599	Schools	145,784	(128,902)	16,882
96,602	(69,149)	27,453	Environment and Regeneration	99,262	(77,345)	21,917
30,502	(14,890)	15,612	Housing	31,792	(16,707)	15,085
28,567	(28,900)	(333)	Public Health	28,765	(28,522)	243
1,832	(245)	1,587	Chief Executive	2,320	(300)	2,020
233,937	(195,015)	38,922	Finance and Resources	216,740	(175,239)	41,501
38,470	(1,624)	36,846	Corporate Items	25,208	(990)	24,218
189,671	(214,065)	(24,394)	Housing Revenue Account (HRA)	199,447	(222,038)	(22,591)
1,011,066	**(766,682)**	**244,384**	**Net Cost of Services**	**1,020,481**	**(776,086)**	**244,395**
35,562	(24,974)	10,588	Other Operating expenditure	30,798	(26,724)	4,074
53,965	(6,043)	47,922	Financing and investment income and expenditure	59,336	(6,557)	52,779
17	(253,747)	(253,730)	Taxation and non-specific grant income	18	(259,488)	(259,470)
1,100,610	**(1,051,446)**	**49,164**	**(Surplus) or Deficit on Provision of Services**	1,110,633	(1,068,855)	**41,778**
		96,395	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(28,044)
		(84)	(Surplus) or deficit from investments in equity instruments designated at fair value			(13)
		61,473	Actuarial (gains) or losses on pension assets / liabilities			(68,675)
		157,784	**Other Comprehensive Income and Expenditure**			**(96,732)**
		206,948	**Total Comprehensive income and Expenditure**			**(54,954)**

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

Balance Sheet

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

31 March 2019 *£'000*	Balance Sheet	31 March 2020 *£'000*	Notes
3,965,375	Property, Plant & Equipment	4,012,229	17
487	Heritage Assets	487	
32,675	Investment Property	33,178	18
10,752	Long Term Investments	5,843	22
8,687	Long Term Debtors & Prepayments	8,498	25
4,017,976	**Total Long-Term Assets**	**4,060,235**	
85,482	Short Term Investments	90,452	22
1,118	Inventories	2,183	
65,737	Short Term Debtors	84,723	25
20,791	Cash and Cash Equivalents	54,206	29
173,128	**Total Current Assets**	**231,564**	
(119,530)	Short Term Creditors	(126,274)	24
(30,375)	Short Term Borrowing	(72,888)	22
(24,523)	Cash and Bank Overdrawn	(26,474)	29
(12,058)	Short Term Provisions	(12,452)	26
(12,682)	Short Term Grants Receipts in Advance	(18,135)	37
(199,169)	**Total Current Liabilities**	**(256,224)**	
(20,341)	Long Term Provisions	(21,020)	26
(266,109)	Long Term Borrowing	(276,609)	22
(916,402)	Liability Related to Defined Benefit Pensions Scheme	(911,488)	35
(111,188)	Other Long Term Liabilities	(96,041)	22
(26,650)	Long Term Grants Receipts in Advance	(24,218)	37
(1,340,690)	**Total Long Term Liabilities**	**(1,329,376)**	
2,651,245	**Net Assets**	**2,706,199**	
284,991	Usable Reserves	281,145	MIRS
2,366,254	Unusable Reserves	2,425,054	28
2,651,245	**Total Reserves**	**2,706,199**	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2018/19 £'000	Cash Flow Statement	2019/20 £'000
(49,164)	**Net surplus or (deficit) on the provision of services**	**(41,778)**
160,993	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	139,746
(43,560)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(51,234)
68,269	**Net cash flows from Operating Activities (Note 31)**	**46,734**
(20,058)	Investing Activities (Note 32)	(64,950)
(46,148)	Financing Activities (Note 33)	49,680
2,063	**Net increase or (decrease) in cash and cash equivalents**	**31,464**
(5,795)	Cash and Cash equivalents at the beginning of the reporting period	(3,732)
(3,732)	**Cash and cash equivalents at the end of the reporting period (Note 30)**	**27,732**

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require it to be prepared in accordance with proper accounting practices.

These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Charges to Revenue for Non-Current Assets

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

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

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

v. Council Tax and Non-Domestic Rates

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

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.
The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows

vi. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities attributable to the service areas of both Islington council and LPFA pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds [Sterling Corporate Index, AA over 15 years]).

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

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

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

Service cost comprising:

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

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

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

Discretionary Benefits

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

vii. Events after the Balance Sheet Date

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

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

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

viii. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

Expected Credit Loss Model

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

Fair value through other comprehensive income (FVOCI)

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

instruments with quoted market prices – the market price

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

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

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

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

ix. Government Grants and Contributions

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

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

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

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

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

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

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

x. Community Infrastructure Levy

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

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

xi. Interests in Companies and Other Entities

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

xii. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

xiii. Joint Operations

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

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

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability.

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the council at the end of the lease period).

The council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

<u>The Council as Lessor</u>

Finance Leases

Where the council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received).
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the Capital Receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xv. Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

The council does not capitalise borrowing costs incurred whilst assets are under construction.
The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.
Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.
Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value or EUV).

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

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

- Infrastructure – Straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Assets under Construction

Where works will result in an asset but the works are not completed by the end of the financial year and the asset is not yet in operational use, the cost is charged to Assets under Construction within Non-Current Assets in the Balance Sheet. Assets under Construction are carried in the Balance Sheet at accumulated historical cost during the period of construction and are exempt from depreciation. In exceptional cases, impairment losses might need to be charged during the construction period, should they arise. Once assets are ready for operational use, the assets are reclassified and valued in accordance with the basis relevant to that particular class of assets.

xvi. Private Finance Initiative

PFI / Service Concession Agreements

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

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

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

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

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

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

xvii. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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

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

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

<u>Contingent Liabilities</u>

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

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

Contingent Assets

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

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

xviii. Reserves

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

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

xix. Revenue Expenditure Funded from Capital under Statute

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

xx. Value Added Tax (VAT)

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

xxi. Overheads and Support Services

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

xxii. Schools

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

xxiii. Fair Value Measurement of Non-Financial Assets

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

2. Accounting Standards Issued, But Not Yet Adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the 2019/20 Code. The most pertinent ones are listed below and will apply to local authorities from 1 April 2020:

IFRS 16 Leases
Where a local authority is a lessee, it will be required to recognise most leases with a term of more than 12 months on its balance sheet as right-of-use assets with corresponding lease liabilities. CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021

The following standards are not expected to have any significant impact for the Council:

• Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
• Annual Improvements to IFRS Standards 2015-2017 Cycle
• Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the council might be materially impaired as a result of a need to close facilities and reduce levels of service provision.
- The council wholly owns a trading vehicle, Islington Limited (ICo), which falls within the council's group boundary due to control and significant influence. ICo provides a number of services such as memorials to the public, out of borough trade waste and pest control services. Its gross turnover (2018/19) was £0.808m, and it had gross assets and liabilities of £0.769m and -£0.805m respectively. None of its income was from the council however it paid £0.646m (of total spend £0.804m – 80%) to the council for services. ICo is not consolidated into the council's group accounts on grounds of materiality.
- The council recognises school assets for community schools on its Balance Sheet. The council has not recognised assets relating to academies, voluntary aided, voluntary controlled or free schools, as it is of the opinion that these assets are not controlled by the council.
- PFI Accounting: The council has deemed 6 PFI / Service Concession schemes as on-balance sheet and the value of the assets used to deliver these schemes and the outstanding liability are shown on the council's balance sheet
- The council has determined its lease agreements as either Finance or Operating leases based on an analysis of the lease terms. Finance leased assets and liabilities are shown on the Balance Sheet.
- Contingent Liabilities & Provisions: Assumptions relating to the likelihood of liabilities that could arise in the future due to past events have been made aswell as estimates of the magnitude of that liability.

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

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

The items in the council's Balance Sheet as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

The value of the Pensions Liability is calculated by a qualified actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Any variation in these assumptions will affect the recognised liability, for example, if the assumed longevity increased by 1 year the net liabilities would increase by £59.5m.

In addition, the global financial markets have been severely impacted by COVID- 19; this has affected asset performance which in turn has an impact on the pension liability. The actuaries have however, taken into consideration the estimated effects of COVID-19 in the 2019/20 return on asset valuation and the effect of a change in AA-rated corporate bond yields which the discount rate (one of a number assumptions) is based on.

Pension Fund Investments

The uncertainty in the financial markets caused by the coronavirus pandemic creates further risk that the valuation of the unlisted investments may have an increased level of uncertainty, and the estimated valuations may be misstated. There is an extremely wide range of outcomes, resulting in a high degree of uncertainty about the ultimate impact of the pandemic and the time it will take for markets to return to a 'steady state'.

The total value of the Fund's property, pooled property funds, private equity, infrastructure and the Diversified Growth fund valuations in the financial statements is £449.72m (Private equity and infrastructure: £86.877m, Property and pooled property funds: £256.643m and Diversified Growth fund £106.2m). The Council's proportion of this value is 90%. The investments listed here are therefore presented in the context of a 'material valuation uncertainty' due to the factors mentioned. Likewise, the review of the Council's Pension Fund Property and pooled property fund asset values is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to these property and investment values than would normally be the case.

Asset Valuations

The council's Property Plant and Equipment (PPE) are held on a long term basis and require regular valuation to ensure the council's financial statements accurately reflect the true worth of its assets. Valuations are undertaken by qualified professionals (see page 70 note 18) to provide up to date assessments using accepted valuation bases and methods.

The pandemic caused by the outbreak of COVID-19 has impacted global financial markets and as a result less weight can be attached to previous market evidence to inform opinions of value. The current response to COVID-19 means there is an unprecedented set of circumstances on which to base a judgement. Valuations for PPE and Investment Properties are therefore reported on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy.

A movement of 1% in PPE valuations would result in a change in asset value of c£37m and a change in depreciation charge c£0.4m in the CIES.

The largest item of PPE held by the council is council Dwellings. The Housing Revenue Account (Accounting Practices) Direction 2007 requires authorities to use the specific bases and methods of valuation set out in the *Guidance on Stock Valuation for Resource Accounting Guidance for 2016 (*published by the Ministry of Housing, Communities and Local Government (MHCLG). EUV–SH is to be arrived at using beacon properties to assess the vacant possession value for properties. An adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. The adjustment is used to reflect the additional risk and liability the public sector landlords undertake when compared with private sector investors.

A 1 percentage point change in the Adjustment factor would change the valuation of Housing Stock, by £122m.

Investment Properties are held to earn rental income and/or for capital appreciation. The valuation is based upon observable inputs, such as publicly available market information. Where market data is unavailable the valuer will make assumptions on the best information available. COVID-19 has resulted in more uncertainty and volatility in the market and the valuation has been adjusted for any change in observable data and in line with market commentaries.

A 1% movement in investment properties valuations would result in a change in asset value of c£0.3m.

Depreciation and amortisation

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

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

If the useful life of assets reduces, depreciation increases and the carrying amount of each asset falls. It is estimated that the annual depreciation charge for non-current assets would increase by £5.8m for a 10% reduction in useful lives.

Leases / Service Concessions

The council has 32 leases for Property, Plant & Equipment and has classified them as either finance or operating leases. The impact of deeming 18 of these as finance leases is that £82m of assets have been included in the Balance Sheet. (The largest asset is the Waste Recycling centre with a net book value of £63m acquired on a long lease). A further 14 assets have been deemed to be operating leases and are not recognised in the asset register.

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

Outstanding Debtors

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

Bad Debt Provisions

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

COVID-19 has had a fundamental impact on businesses and individuals, to the extent that estimation of collection rates remains more uncertain than would normally be the case.

If collection rates were to deteriorate, a doubling of the amount of the bad debt provision would require an additional £78m to be set aside.

Creditors

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

Insurance Provision

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

An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1.67m to the provision needed.

5. Significant Agency Income and Expenditure

The council has an agency agreement with Thames Water whereby the council collects the payment of water bills from its HRA tenants on behalf of Thames Water. The council received income of £1.437m for this arrangement in 2019/20 (£1.473m in 2018/19).

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

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

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

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

Adopt London North	Total Gross Expenditure	Islington Council Contribution	Hackney Council Contribution	Haringey Council Contribution	Enfield Council Contribution	Camden Council Contribution	Barnet Council Contribution	Total Contributions
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
	1,465	(265)	(251)	(262)	(177)	(203)	(307)	(1,465)
	1,465	**(265)**	**(251)**	**(262)**	**(177)**	**(203)**	**(307)**	**(1,465)**

6. Pooled Budgets

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

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

Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the 'host' to the pool. That 'host' has responsibility for the administration of the pool. The host partner is required to produce a memorandum account of the financial activity of the pool, which used to be subject to external audit certification until the requirement was discontinued. During 2019/20, eight pooled funds were in operation and their purpose is explained below.

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

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

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

Pooled Budgets 2019/20	Gross Expenditure £'000	Islington Council Contribution £'000	Islington CCG Contribution £'000	Camden & Islington NHS Foundation Trust Contribution £'000	Whittington Hospital NHS Trust Contribution £'000	Total Contributions £'000
Learning Disabilities Pooled Fund	38,904	(33,179)	(5,725)	-	-	(38,904)
Intermediate Care Pooled Fund	6,321	(1,845)	(4,476)	-	-	(6,321)
Integrated Community Equipment Services Pooled Fund	1,689	(1,195)	-	-	(494)	(1,689)
Mental Health Commissioning Adult Mental Health Care	4,846	(2,654)	(2,192)	-	-	(4,846)
Carers Pooled Fund	861	(766)	(95)	-	-	(861)
MHCOP Pooled Fund	7,043	(3,702)	(3,341)	-	-	(7,043)
Mental Health Care Trust Pooled Fund	14,192	(2,857)	-	(11,335)	-	(14,192)
Better Care Fund	33,414	(15,785)	(17,629)			(33,414)
Totals	**107,270**	**(61,983)**	**(33,458)**	**(11,335)**	**(494)**	**(107,270)**

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

7. Members' Allowances

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

2018/19 £'000	Members' Allowances	2019/20 £'000
519	Basic Allowance	530
367	Special Responsibility Allowance	362
3	Other Allowances	4
889	**Total**	**896**

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

8. Officers' Remuneration

Senior officers' remuneration

The tables below show senior officers' remuneration in 2019/20 and 2018/19.

Senior officers remuneration for 2019/20	Salary (Including fees & allowances)	Other Payments	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Post	£	£	£	£	£
Chief Executive - L Roberts-Egan (i)	100,208	-	100,208	14,350	114,559
Corporate Director of People - C Littleton	150,547	-	150,547	21,829	172,376
Corporate Director of Environment & Regeneration (ii)	64,223	-	64,223	-	64,223
Corporate Director of Environment & Regeneration (iii)	100,679	-	100,679	14,599	115,278
Service Director Financial & Asset Management - Acting Section 151 Officer (iv)	33,841	3,372	37,213	4,907	42,120
Corporate Director of Housing	129,112	-	129,112	18,738	147,850
Director of Public Health (v)	115,673	-	115,673	16,718	132,390
Headteacher (Elizabeth Garrett Anderson) - J Dibb	156,651	-	156,651	-	156,651
Head of Strategy & Change (vi)	49,523	-	49,523	6,956	56,479
Director of Service Finance - Acting Section 151 Officer (vii)	8,663	-	8,663	1,259	9,922
Acting Director of Law and Governance and Monitoring Officer (viii)	44,801	-	44,801	6,253	51,054
Chief Accountant - Acting Section 151 (ix)	29,134	-	29,134	4,360	33,494
Head of Communications & Change	69,510	-	69,510	9,949	79,459
Total	**1,052,565**	**3,372**	**1,055,938**	**119,917**	**1,175,854**

(i) Chief Executive from September 2019, annualised salary was £185,000
(ii) Corporate Director of Environment & Regeneration until July 2019, annualised salary was £104,603
(iii) Corporate Director of Environment & Regeneration from July 2019, annualised salary was £137,694
(iv) Service Director Financial & Asset Management - Acting Section 151 Officer until July 2019, annualised salary was £122,222 . Other payments relate to paid leave
(v) The post of Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them
(vi) Head of Strategy & Change until November 2019, annualised salary was £74,130
(vii) Director of Service Finance - Acting Section 151 Officer from end of February 2020, amounts displayed reflects the period they reported to the Chief Executive
(viii) Acting Director of Law and Governance and Monitoring Officer, directly reported to the Chief Executive from November 2019 in the interim, amount displayed reflects the period they reported to the Chief Executive
(ix) Chief Accountant - Acting Section 151 Officer from November 2019 until end of February 2020, amount displayed reflects the period they reported to the Chief Executive

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

(i) Other payments relate to payment in lieu of notice and paid leave

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

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

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

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

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

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

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

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

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

2019/2020	Total Cost to the Council £
Interim Management Services (i)	685
Interim Head of Paid Service (ii)	134,676
Interim Corporate Director of Resources (iii)	170,200
Interim Corporate Director of People (iv)	109,466
Interim Service Director Financial & Asset Management - Acting Section 151 Officer (v)	96,425
Interim Programme Director - Localities (vi)	119,798
Interim Director of Corporate Transformation (vii)	91,816

i) Interim Management Services from March

ii) Interim Head of Paid Service until September

iii) Interim Corporate Director of Resources from July until November

iv) Interim Corporate Director of People from end of November

v) Interim Service Director Financial & Asset Management - Acting Section 151 Officer from end of July until November. Also appointed Interim Corporate Director of Resources for last week of service in November

vi) Interim Programme Director - Localities from end of September

vii) Interim Director of Corporate Transformation from October

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

2018/2019	Total Cost to the Council £
Interim Corporate Director of Resources (i)	194,925
Interim Corporate Director of Housing (ii)	276,562

i) Interim Corporate Director of Resources from July 2018
ii) Interim Corporate Director of Housing & Adults Social Services up to end of February, and subsequently Interim Programme Director (Localities). The cost includes both roles

The total cost to the council in the above table is the amount paid to the agency for the interim post holder, and does not necessarily represent the remuneration which the interim post holder recieved.
The council does not operate a bonus scheme for senior officers, nor does it offer expense allowances.

Remuneration bands above £50k

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

Remuneration Band	2018/19 Schools No of employees	2019/20 Schools No of employees	2018/19 Other No of employees	2019/20 Other No of employees
£50,000 - £54,999	86	65	138	188
£55,000 - £59,999	47	60	97	103
£60,000 - £64,999	22	26	53	54
£65,000 - £69,999	19	16	23	31
£70,000 - £74,999	12	14	14	25
£75,000 - £79,999	5	11	6	9
£80,000 - £84,999	6	4	3	7
£85,000 - £89,999	3	4	18	4
£90,000 - £94,999	2	3	3	9
£95,000 - £99,999	5	4	3	2
£100,000 - £104,999	4	1	6	7
£105,000 - £109,999	-	3	3	2
£110,000 - £114,999	2	-	6	4
£115,000 - £119,999	-	1	-	4
£120,000 - £124,999	-	-	-	-
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
over £150,000	-	-	-	-
Total	213	212	373	449

Termination Benefits

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

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£'000	£'000
£0 - £20,000	24	10	78	62	102	72	562	490
£20,001 - £40,000	1	4	17	10	18	14	494	387
£40,001 - £60,000	2	-	3	2	5	2	260	90
£60,001 - £80,000	-	1	1	1	1	2	77	134
£80,001 - £100,000	-	1	-	-	-	1	-	91
£100,001 - £150,000	1	2	-	2	1	4	147	480
Over £150,000	1	-	-	1	1	1	161	239
Total	29	18	99	78	**128**	**96**	**1,701**	**1,911**
Other costs associated with termination benefits							281	48
Total termination benefits							**1,982**	**1,959**

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

The 2019/20 cost of termination benefits of £1.959m includes £66k for exit packages that have been agreed, accrued for and charged to the council's Comprehensive Income and Expenditure Statement in the current year. The £48k other costs associated with termination benefits in 2019/20 relate to additional costs incurred relating to 2018/19 accruals estimates and costs relating to flexible retirement.

9. Material transactions with related parties

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

UK Central Government

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

Grants received from government departments in 2019/20 and grant balances held in receipts in advance are shown in Note 38.

Members / Officers

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

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

There are a number of organisations which are independent from the council, but have an impact on its service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees, boards and forums that are responsible for them. Details of these appointments are available online at https://democracy.islington.gov.uk/mgListOutsideBodies.aspx?bcr=1. They are included in the table below.
Members' allowances paid in 2019/20 are disclosed in Note 8.
Significant related party transactions are detailed in the following table:

Related Parties		**Income 2019/20**	**Expenditure 2019/20**	**Amounts owed (by)/to Islington Council 31 March 2020**
Organisation	**Nature of Relationship**	*£'000*	*£'000*	*£'000*
Members/Senior officers				
Voluntary organisations, charities and community groups	Two senior officers and twenty-eight members are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council	115	1,326	(14)
Universities, Colleges & Schools	One member and three senior officers are involved in the management of universities, colleges or schools which transact with Islington Council	2,209	329	2,388
Other Public Bodies				
NHS organisations	Three members and four senior officers are involved in the management of NHS organisations which transact with the council. Note 7 shows the transactions and balances relating to partnerships with local NHS bodies under Section 75 of the National Health Service Act 2006 (Pooled Budgets).	33,539	19,756	4,610
Local authorities - Camden Council	Islington Council transacts with other local authorities. Camden Council is the main authority that Islington Council transacts with.	4,977	1,689	37
North London Waste Authority	Two members and one senior officer are board members of this organisation.	1,204	8,812	375
Private Companies	Two members are involved with a private company which transacts with Islington Council	-	50	-
Other Public Bodies	Fifteen members, eight senior officer and one member's family members hold positions of influence in public organisations which transact with Islington Council	77	357	(67)
Entities Controlled or Influenced by the Authority				
Transform Islington	Transform Islington has a number of design, build, finance and operate contracts with LBI lasting 25 years. LBI holds a 10% shareholder rights in Transform Islington.	15	16,050	-
Angel BID Ltd and the Bee Farringdon & Clerkenwell BID	One member sits on the boards of the Business Improvement Districts in Angel and Farringdon & Clerkenwell. Islington Council facilitates the collection of the BID levy annually on behalf of the two BIDs. The BID levy is not included in this table.	190	1,113	(112)
Subsidiaries	Islington Ltd is a wholly owned subsidiary of the council. Three senior officers and two members are on the board of this organisation.	825	163	846
Other Related Parties				
Islington Council Pension Fund	As administrator of the pension fund, the council has direct control of the fund. The related party figures shown here differ from those reported in the Pension Fund financial statements due to timing differences.	2,893	29,290	(333)

10. Fees payable to the Appointed Auditor

In 2019/20, Islington council incurred the following fees relating to external audit:

2018/19 £'000	Fees Payable to the Appointed Auditor	2019/20 £'000
	Audit Services	
166	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	181
36	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	36
202*	**Total Fees for Audit Services**	**217**
	Non-Audit Services	
10	Fees payable in respect of non-audit services provided by the appointed auditor during the year	10

* 18/19 Figure restated to reflect additional fees.

11. Expenditure and Funding Analysis

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

2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2018/19 Adjustments between the Funding and Accounting Basis £'000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Expenditure and Funding Analysis	2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2019/20 Adjustments between the Funding and Accounting Basis £'000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
65,920	2,351	68,271	People - Adult Social Services	67,999	3,252	71,251
64,728	4,093	68,821	People - Children, Employment and Skills (excluding Schools)	67,138	6,731	73,869
(2,486)	14,085	11,599	Schools	1,681	15,201	16,882
2,835	24,618	27,453	Environment and Regeneration	(1,611)	23,528	21,917
7,872	7,740	15,612	Housing	7,446	7,639	15,085
(633)	300	(333)	Public Health	(160)	403	243
1,315	272	1,587	Chief Executive	1,680	340	2,020
34,819	4,103	38,922	Resources	33,540	7,961	41,501
(183,202)	220,048	36,846	Corporate Items	(193,548)	217,766	24,218
(15,264)	(9,130)	(24,394)	Housing Revenue Account	(13,215)	(9,377)	(22,592)
(24,096)	**268,480**	**244,384**	**Net Cost of Services**	**(29,050)**	**273,444**	**244,394**
-	(195,220)	(195,220)	Other Income and Expenditure	-	(202,617)	(202,617)
(24,096)	**73,260**	**49,164**	**(Surplus) or Deficit**	**(29,050)**	**70,827**	**41,777**
(163,393)			Opening General Fund and HRA Balance*	(187,489)		
(24,096)			Less Deficit on General Fund and HRA Balance in Year	(29,050)		
(187,489)			Closing General Fund and HRA Balance	(216,539)		

* Opening General Fund and HRA Balances restated to take into account prior year movements between earmarked reserves, capital adjustment account and capital grants unapplied

31 Mar 18		31 Mar 19	General Fund and HRA Balances	31 Mar 19		31 Mar 20
(8,723)	(2,158)	(10,881)	General Fund Balance	(10,881)	(5,783)	**(16,664)**
(65,421)	(4,151)	(69,572)	General Fund Earmarked Reserves*	(69,572)	(10,686)	**(80,258)**
(9,319)	(2,522)	(11,841)	Schools	(11,841)	633	**(11,208)**
(17,521)	-	(17,521)	HRA Balance	(17,521)	-	**(17,521)**
(62,409)	(15,265)	(77,674)	HRA Earmarked Reserves	(77,674)	(13,214)	**(90,888)**
(163,393)	(24,096)	(187,489)	Total	(187,489)	(29,050)	**(216,539)**

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

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments for Capital Purposes £'000	Adjustments for Pensions £'000	Adjustments between accounting policies for reporting £'000	Other Adjustments £'000	Total Adjustments £'000
People - Adult Social Services	668	2,604	-	(20)	3,252
People - Children, Employment and Skills (excluding Schools	(300)	7,016	-	15	6,731
Schools	9,541	5,946	-	(286)	15,201
Environment and Regeneration	17,374	6,154	-	-	23,528
Housing	7,067	576	-	(4)	7,639
Public Health	-	376	-	27	403
Chief Executive	-	334	-	6	340
Finance & Resources	2,643	5,315	-	3	7,961
Corporate	(9,685)	21,460	206,531	(540)	217,766
Housing Revenue Account	20,862	5,118	(3,914)	(31,443)	(9,377)
Net Cost of Services	**48,170**	**54,899**	**202,617**	**(32,242)**	**273,444**
Other Income and Expenditure	-		(202,617)	-	(202,617)
(Surplus) or Deficit	**48,170**	**54,899**	**0**	**(32,242)**	**70,827**

Adjustments for Capital Purposes

This column includes the following adjustments:

- Addition of depreciation, amortisation, impairments and revaluation gains and losses in the service lines as these are not chargeable under generally accepted accounting practices.
- Adjustment for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- A contribution from the Capital Receipts Reserve is made to compensate the General Fund for payments to the government capital receipts pool
- Deduction of statutory charges for capital financing, including the Minimum Revenue Provision, as these are not chargeable under generally accepted accounting practices. Deduction of statutory charges relating to repayments of PFI and lease liabilities as these are not chargeable under generally accepted accounting practices.
- The movements in the fair value of investment properties are reversed out in the Comprehensive Income and Expenditure Statement as they are not proper charges to the General Fund

- Capital grants are adjusted for income not chargeable under generally accepted accounting practices. The Comprehensive Income and Expenditure Statement is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.
- Adjustment in respect of revenue expenditure funded from capital under statute. The underlying revenue nature of the expenditure means that it will be debited to the Comprehensive Income and Expenditure Statement as it is incurred, but if the council applies the statutory provision to treat the expenditure as capital, it is reversed out of the Comprehensive Income and Expenditure Statement.

Pensions Adjustments

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

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

Adjustments between accounting policies for internal management and financial reporting

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

Other Adjustments

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

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

12. Expenditure and Income Analysed By Nature

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

2018/19 £'000	Expenditure and Income Analysed by Nature	2019/20 £'000
	Expenditure	
378,387	Employee expenses	391,546
560,826	Other service expenses	558,748
59,055	Depreciation	57,618
16,601	Revaluation (Gains) / Losses & Impairments	22,136
50,179	Interest expenses	49,787
7,499	Precepts & levies	7,692
14,967	Payments to the government Housing Capital Receipts Pool	13,818
13,096	Disposal of assets	9,288
1,100,610	**Total Expenditure**	**1,110,633**
	Income	
(330,006)	Fees, charges and other service income	(351,463)
(854)	Interest and investment income	(1,411)
(24,974)	Proceeds from the sale of assets	(26,724)
(217,034)	Income from council tax and non-domestic rates	(207,344)
(478,578)	Government grants and contributions	(481,913)
(1,051,446)	**Total Income**	**(1,068,855)**
49,164	**(Surplus) or Deficit on the Provision of Services**	**41,778**

13. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

2019/20	Usable Reserves					
Adjustments between Account Basis and Funding Basis under Regulations	**General Fund** £'000	**Housing Revenue Account** £'000	**Capital Receipts Reserve** £'000	**Major Repairs Reserve** £'000	**Capital Grants Unapplied** £'000	**Movement in Unusable Reserves** £'000
Adjustments primarily involving the Capital Adjustment Account						
Charges for depreciation and impairment of non current assets	(28,733)	(28,885)	-	-	-	57,618
Revaluation gains / losses on Property Plant and Equipment	(178)	(19,833)	-	-	-	20,011
Impairment of Property Plant and Equipment	-	(2,125)	-	-	-	2,125
Movement in the fair value of Investment Properties	(1,215)	(343)	-	-	-	1,558
Capital grants and contributions applied	14,323	10,195	-	-	-	(24,518)
Revenue expenditure funded from capital under statute	(8,762)	-	-	-	-	8,762
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,160)	(5,979)	-	-	-	9,139
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement						
Statutory provision for financing of capital investment	1,893	-	-	-	-	(1,893)
Repayment of lease / PFI liabilities	2,268	9,486				(11,754)
Capital expenditure charged against the General Fund and HRA	161	-	-	-	-	(161)
Adjustments primarily involving the Capital Grants Unapplied Account						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	85	-	-	-	(85)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	-	-	664	(664)
Adjustments primarily involving the Capital Receipts Reserve						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,975	16,750	(26,725)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	30,112	-	-	(30,112)
Use of capital receipts to fund disposal costs	(149)	(128)	277	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the government Housing Capital Receipts Pool	(13,817)	-	13,817	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	-	-

2019/20 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve						
Transfer of Depreciation to the Major Repairs Reserve	-	28,884	-	(28,884)	-	-
Additional Contributions from the HRA	-	2,604	-	(2,604)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	46,326	-	(46,326)
Adjustment primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(83,136)	(10,207)	-	-	-	93,343
Employer's pensions contributions and direct payments to pensioners payable in the year	33,354	5,090	-	-	-	(38,444)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	548	-	-	-	-	(548)
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	253	(46)	-	-	-	(207)
Total Adjustments	**(76,290)**	**5,463**	**17,481**	**14,838**	**579**	**37,929**

2018/19

Adjustments between Account Basis and Funding Basis under Regulations

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

2018/19

Adjustments between Account Basis and Funding Basis under Regulations

Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves					
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	-
Adjustment primarily involving the Major Repairs Reserve						
Transfer of Depreciation to the Major Repairs Reserve	-	29,893	-	(29,893)	-	-
Additional Contributions from the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	44,604	-	(44,604)
Adjustment primarily involving the Financial Instruments Adjustment Account						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(87,996)	(8,704)	-	-	-	96,700
Employer's pensions contributions and direct payments to pensioners payable in the year	31,391	4,400	-	-	-	(35,791)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	3,055	-	-	-	-	(3,055)
Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	-	-	-	-	-	-
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(360)	(5)	-	-	-	365
Total Adjustments	**(82,887)**	**4,661**	**12,221**	**14,711**	**2,174**	**49,120**

14. Other Operating Expenditure

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

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000	Other Operating Expenditure	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
7,499	-	7,499	Levies	7,692	-	7,692
14,967	-	14,967	Payments to the Government Housing Capital Receipts Pool	13,818	-	13,818
13,096	(24,974)	(11,878)	Gains/Loss on the disposal of non-current assets	9,288	(26,724)	(17,436)
35,562	**(24,974)**	**10,588**	**Total**	**30,798**	**(26,724)**	**4,074**

15. Financing and Investment Income and Expenditure

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

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000	Financing and Investment Income and Expenditure	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
31,670	-	31,670	Interest payable and similar charges*	30,959	-	30,959
20,828	-	20,828	Net interest on the net defined benefit liability	21,676	-	21,676
-	(891)	(891)	Interest Receivable and similar Income	-	(1,410)	(1,410)
1,467	(5,152)	(3,685)	Income and expenditure in relation to investment properties and changes in the fair value	6,701	(5,147)	1,554
53,965	**(6,043)**	**47,922**	**Total**	**59,336**	**(6,557)**	**52,779**

16. Taxation and Non-Specific Grant Income

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

2018/19 Gross Income £'000	Taxation and Non Specific Grant Income	**2019/20 Gross Income** £'000
(89,514)	Council Tax Income	(93,882)
(135,005)	Business Rates Income	(123,018)
(10,253)	Non-ringfenced government grants	(18,486)
(234,772)	**Taxation and Non-Specific Revenue Grant Income**	**(235,386)**
(18,958)	Capital grants and contributions	(24,084)
(253,730)	**Total**	**(259,470)**

17. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2019/20	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation									
As at 31 March 2019	**3,021,427**	**712,258**	**36,392**	**266,055**	**27,766**	**41**	**75,006**	**4,138,945**	**385,210**
Additions	47,174	17,601	6,881	6,923	-	-	29,548	**108,127**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	18,690	10,547	-	-	-	(28)	-	**29,209**	11,581
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(44,069)	(19,026)	-	-	-	-	-	**(63,095)**	(5,998)
Derecognition - Disposals	(6,584)	(3,774)	(2,192)	-	-	-	-	**(12,550)**	(112)
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	90	-	-	-	-	(513)	**(423)**	-
Other movements in cost or valuation	13,808	13,785	275	-	-	-	(27,868)	**-**	-
As at 31 March 2020	**3,050,446**	**731,481**	**41,356**	**272,978**	**27,766**	**13**	**76,173**	**4,200,213**	**390,681**
Accumulated Depreciation and Impairment									
As at 31 March 2019	**-**	**(40,869)**	**(24,983)**	**(104,491)**	**(3,227)**	**-**	**-**	**(173,570)**	**(15,280)**
Depreciation charge	(26,502)	(16,424)	(2,109)	(12,583)	-	-	-	(57,618)	(8,893)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	26,665	16,665	-	-	-	-	-	43,330	7,459
Impairment losses/(reversals) recognised in the Revaluation Reserve	(1,147)	(17)	-	-	-	-	-	(1,164)	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2,121)	(4)	-	-	-	-	-	(2,125)	-
Derecognition - Disposals	604	614	2,192	-	-	-	-	3,410	3
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	(247)	-	-	-	-	-	-	(247)	-
As at 31 March 2020	**(2,748)**	**(40,035)**	**(24,900)**	**(117,074)**	**(3,227)**	**-**	**-**	**(187,984)**	**(16,711)**
Net Book Value as at 31 March 2020	**3,047,698**	**691,446**	**16,456**	**155,904**	**24,539**	**13**	**76,173**	**4,012,229**	**373,970**

Movement in Property, Plant and Equipment - 2018/19	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment (Restated*) £'000
Cost or Valuation									
As at 31 March 2018	**3,166,184**	**657,833**	**43,624**	**258,164**	**27,766**	**41**	**45,935**	**4,199,547**	**427,442**
Additions	33,022	21,209	210	7,891	-	-	42,743	**105,075**	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(136,105)	39,708	-	-	-	-	-	**(96,397)**	(32,947)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(47,722)	(1,919)	-	-	-	-	-	**(49,641)**	(8,616)
Derecognition - Disposals	(6,748)	(6,314)	(7,442)	-	-	-	-	**(20,504)**	(669)
Derecognition - Other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	865	-	-	-	-	-	**865**	-
Other movements in cost or valuation	12,796	876	-	-	-	-	(13,672)	**-**	-
As at 31 March 2019	**3,021,427**	**712,258**	**36,392**	**266,055**	**27,766**	**41**	**75,006**	**4,138,945**	**385,210**
Accumulated Depreciation and Impairment									
As at 31 March 2018	**-**	**(31,066)**	**(28,658)**	**(92,237)**	**(3,227)**	**-**	**-**	**(155,188)**	**(13,674)**
Depreciation charge	(27,292)	(15,742)	(3,767)	(12,254)	-	-	-	(59,055)	(9,042)
Depreciation written out on revaluations recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services	27,227	8,367	-	-	-	-	-	35,594	7,422
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	-	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(2,553)	-	-	-	-	-	(2,553)	-
Derecognition - Disposals	56	134	7,442	-	-	-	-	7,632	14
Derecognition - Other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	-	-	-
Other movements in depreciation and impairment	9	(9)	-	-	-	-	-	-	-
As at 31 March 2019	**-**	**(40,869)**	**(24,983)**	**(104,491)**	**(3,227)**	**-**	**-**	**(173,570)**	**(15,280)**
Net Book Value as at 31 March 2019	**3,021,427**	**671,389**	**11,409**	**161,564**	**24,539**	**41**	**75,006**	**3,965,375**	**369,930**

*For details on 2018/19 PFI restatement, please see note 21

Depreciation

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

- Council Dwellings – Useful Economic Lives (typically 45–50 years for buildings)
- Other Land and Buildings: Useful Economic lives (typically 20–70 years for buildings)

- Vehicles, Plant, Furniture & Equipment – Useful Economic lives (typically under 10 years)
- Infrastructure – 25 years

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Council Dwellings valuations were carried out by Wilks, Heads and Eve LLP, whilst all other valuations were carried out internally by Mr Peter Holmes MRICS and Mr Andrew Jeffery MRICS as at 1 April, with a review at the end of the year to identify any significant changes. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations are subject to material valuation uncertainty as disclosed in note 5 on page 48

Revaluations	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Carried at historical cost	**0**	**61,692**	**16,456**	**155,904**	**24,539**	**0**	**76,173**	**334,764**
Valued at fair value as at:								
31 March 2020	3,047,698	318,575	-	-	-	13	-	**3,366,286**
31 March 2019	-	216,060	-	-	-	-	-	**216,060**
31 March 2018	-	79,543	-	-	-	-	-	**79,543**
31 March 2017	-	15,576	-	-	-	-	-	**15,576**
31 March 2016	-	-	-	-	-	-	-	**0**
Total Cost or Valuation	**3,047,698**	**691,446**	**16,456**	**155,904**	**24,539**	**13**	**76,173**	**4,012,229**

Capital Commitments

As at 31 March 2020, the council had entered into a number of contracts for the construction or enhancement of property, plant and equipment in future years, budgeted to cost £96m. Similar commitments as at 31 March 2019 were £120m. The commitments are:

31 March 2019 *£'000*	Capital Commitments	31 March 2020 *£'000*
	Housing Commitments:	
58,206	New Builds	61,531
48,221	Major Works	32,893
	Other Commitments:	
5,111	Environment & Regeneration	1,530
8,077	Schools	0
119,615	**Total**	**95,954**

18. Investment Properties

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

2018/19 £'000	Investment Properties	2019/20 £'000
(2,480)	Rental income from investment property	(2,333)
1,107	Direct operating expenses arising from investment property	2,329
(1,373)	**Net (gain)/loss**	**(4)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal.
The council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

2018/19 £'000	Movement in fair value of Investment Properties	2019/20 £'000
31,227	**Balance at start of the year**	**32,675**
	Additions	
-	Subsequent expenditure	1,637
2,313	Net gains/(losses) from fair value adjustments	(1,558)
(865)	Transfers (to)/from Property, Plant and Equipment	423
32,675	**Balance at end of the year**	**33,178**

Fair value measurements

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

Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2019 £'000	Fair Value Measurements	Level 1 £'000	Level 2 £'000	Level 3 £'000	Fair value as at 31 March 2020 £'000
	32,663	11	**32,674**	Investment Properties		33,178	0	**33,178**
		41	**41**	Surplus assets			13	**13**
0	**32,663**	**52**	**32,715**	**Fair value as at 31 March**	**0**	**33,178**	**13**	**33,191**

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

19. Leases

Council as Lessee

Finance Leases

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

31 March 2019 £'000	Leased Assets	31 March 2020 £'000
	Property, Plant and Equipment:	
76,985	- Other Land and Buildings	74,459
2,257	- Community Assets	2,257
6,477	Investment Properties	5,673
85,719	**Total**	**82,389**

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

31 March 2019 £'000	Minimum lease payments	31 March 2020 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
3	- Payable within one year	3
374	- Payable after one year	371
941	Finance costs payable in future years	917
1,318	**Total minimum lease payments**	**1,291**

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

Minimum Lease Payments	Finance Lease Liabilities		Minimum Lease Payments	
	31 March 2019 £'000	31 March 2020 £'000	31 March 2019 £'000	31 March 2020 £'000
Not later than one year	3	3	27	27
Later than one year and not later than five years	12	13	106	106
Later than five years	362	359	1,185	1,158
Total	**377**	**374**	**1,318**	**1,291**

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

In 2019/20 contingent rents payable by the council in respect of finance leases totalled £0.37m (£0.43m in 2018/19).

Operating Leases

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

31 March 2019 £'000	Operating Leases (Lessee)	31 March 2020 £'000
147	Not later than one year	183
318	Later than one year and not later than five years	586
2	Later than five years	385
467	**Total**	**1,153**

Council as Lessor

Finance Leases

The council has leased out a number of assets on a finance lease basis. In most cases, the council received a lease premium upon inception such that the gross investment in the lease has been settled in full. The minimum lease payments are negligible.

Operating Leases

The council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

31 March 2019 £'000	Operating Leases (Lessor)	31 March 2020 £'000
6,241	Not later than one year	6,872
23,558	Later than one year and not later than five years	24,654
35,020	Later than five years	34,508
64,819	**Total**	**66,034**

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

20. Private Finance Initiative and Similar Contracts

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

(a) The local authority controls or regulates what services the operator must provide with the property, to whom it must provide them, and at what price;

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

If the property is used for its entire life, and there is little or no residual interest, the arrangement falls within this scope where the first condition is met. Where the above tests are met, property used shall be recognised as an asset or assets of the local authority. Assets shall be recognised and accounted for in accordance with the Code. This is balanced by the recognition of a finance lease liability measured at the value of the related asset, and subsequently calculated using the actuarial method prescribed for finance leases.
The amounts payable to the PFI operators each year are analysed into five elements, as shown in paragraph xix of Note 1 (Accounting Policies).

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

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

Details of the current schemes are as follows:

Service Concession Arrangements	Start Date	End Date	Total Value £ million
Street Lighting	June 2003	June 2028	48
Housing (1)	March 2003	March 2033	247
Housing (2)	Sept 2006	Sept 2022	380
Care Homes	April 2003	March 2030	133
Schools (1)	July 2008	Jan 2040	123
Schools (2)	August 2012	March 2038	102

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

	Council Dwellings £ '000	Other Land and Buildings £ '000	Infra-structure £ '000	Total £ '000
Net Book Value at 1 April 2018	**334,318**	**71,031**	**8,419**	**413,768**
Depreciation & Impairment	(6,326)	(2,014)	(702)	**(9,042)**
Revaluation	(38,897)	4,755	-	**(34,142)**
Disposal	(655)	-	-	**(655)**
Other				
Net Book Value at 31 March 2019 (Restated*)	**288,440**	**73,772**	**7,717**	**369,930**
Net Book Value at 1 April 2019	**288,440**	**73,772**	**7,717**	**369,930**
Depreciation & Impairment	(6,224)	(1,967)	(702)	**(8,893)**
Revaluation	11,383	1,657	-	**13,040**
Disposal	(109)			**(109)**
Other				
Net Book Value at 31 March 2020	**293,490**	**73,462**	**7,015**	**373,968**
Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2018	**(56,256)**	**(69,600)**	**(8,223)**	**(134,079)**
New liability incurred	-		(433)	**(433)**
Repayments made in year	8,333	2,358	533	**11,224**
Value at 31 March 2019	**(47,923)**	**(67,242)**	**(8,123)**	**(123,288)**
Value at 1 April 2019	**(47,923)**	**(67,242)**	**(8,123)**	**(123,288)**
New liability incurred				
Repayments made in year	9,485	2,472	513	**12,471**
Value at 31 March 2020	**(38,438)**	**(64,770)**	**(7,610)**	**(110,817)**

*The 2018-19 comparatives for PFI have been restated to reflect a better apportionment of the building value for the two Housing PFI schemes.

The projected payments under the agreements are as follows:

Contracted payments due within:		1 year £ '000	2-5 years £ '000	5-10 years £ '000	10-15 years £ '000	15-20 years £ '000	Over 20 years £ '000
Care Homes							
	Liability	319	1,637	2,914	774		
	Interest	455	1,458	954			
	Service Charges	4,284	18,235	25,478	5,484		
Street Lighting							
	Liability	669	3,214	3,294			
	Interest	686	2,044	664			
	Service Charges	490	2,025	1,637			
Housing (1)							
	Liability	739	2,650	6,007	8,991		
	Interest	2,370	8,504	8,723	2,510		
	Service Charges	8,996	42,177	61,035	36,599		
Housing (2)							
	Liability	11,111	8,939				
	Interest	2,623	1,169				
	Service Charges	18,492	16,616				
BSF Phase 1							
	Liability	1,576	7,540	11,904	13,156		
	Interest	2,140	7,496	6,392	2,351		
	Service Charges	1,758	7,232	10,960	12,045		
BSF Phase 2							
	Liability	730	3,255	6,240	8,854	6,737	
	Interest	2,427	9,003	9,199	5,766	1,264	
	Service Charges	1,102	5,170	7,050	9,336	5,721	

21. Capital Expenditure and Capital Financing

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

2018/19 £'000	Capital Expenditure and Sources of Capital Financing	2019/20 £'000
699,593	**Opening Capital Financing Requirement**	**709,315**
	Capital Investment	
105,075	Property, Plant & Equipment	108,127
7,478	Investment Properties / REFCUS / Other	10,400
	Sources of Finance	
(21,863)	Usable Capital Receipts	(30,112)
(21,132)	Capital grants & Other contributions	(25,182)
(44,604)	Major Repairs Reserve	(46,328)
(3,193)	Capital expenditure charged in-year to revenue accounts	(161)
	Debt Repayment	
(1,283)	Statutory provision for the repayment of debt	(1,893)
(10,755)	Repayment of PFI / lease liabilities	(11,754)
709,315	**Closing Capital Financing Requirement**	**712,411**
	Explanation of Movements in Year	
(9,288)	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	(3,097)
(433)	Assets acquired under finance leases	
(9,721)	**(Increase)/ decrease in Capital Financing Requirement**	**(3,097)**

22. Financial Instruments

Financial Instruments - Classifications

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

Financial Liabilities

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

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

- long-term loans from the Public Works Loan Board and commercial lenders
- short-term loans from other local authorities
- cash and bank overdrawn

- finance leases detailed in Note 20
- Private Finance Initiative contracts detailed in Note 21
- trade payables for goods and services received

Financial Assets

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

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

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

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

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

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

Balances on fixed term deposits as at 31 March 2020 that are shown under 'cash and cash equivalents' in the Balance Sheet represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the council's portfolio of investments disclosed below.

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

Financial Instruments - Balances

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

Categories of Financial Instruments	Long-term 31 March 2019	Long-term 31 March 2020	Short-term 31 March 2019	Short-term 31 March 2020
	£'000	£'000	£'000	£'000
Financial Assets				
At amortised cost:				
- Principal	10,688	5,767	85,016	90,019
- Accrued interest			466	433
- Loss allowance	(20)	(20)		
At fair value through profit & loss:				
*- Equity investments elected FVOCI***	84	96		
Total investments #	10,752	5,843	85,482	90,452
At amortised cost:				
- Principal			20,791	54,206
Total Cash and Cash Equivalents			20,791	54,206
Loans and receivables:				
- Trade receivables	9,639	9,693	54,388	69,978
- Loss allowance	(952)	(1,195)	(9,517)	(11,120)
Included in Debtors##	8,687	8,498	44,871	58,858
Total Financial Assets	19,439	14,341	151,144	203,516

The total short-term investments include £452k (2018: £10,482k) representing accrued interest and principal repayments due within 12 months on long-term investments.

The debtors lines on the Balance Sheet include £25,865k short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions

Categories of Financial Instruments	Long-term 31 March 2019	Long-term 31 March 2020	Short-term 31 March 2019	Short-term 31 March 2020
	£'000	£'000	£'000	£'000
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	266,109	276,609	27,112	69,500
- Accrued interest			3,263	3,388
Total borrowings *	266,109	276,609	30,375	72,888
Loans at amortised cost:				
- Bank overdrawn			24,523	26,474
Total Cash Overdrawn			24,523	26,474
Liabilities at amortised cost:				
- PFI and finance lease liabilities	111,188	96,041	12,474	15,147
- Other				
Total Other Long Term Liabilities	111,188	96,041	12,474	15,147
Liabilities at amortised cost:				
- Trade payables			40,528	41,866
Included in Creditors**			40,528	41,866
Total Financial Liabilities	377,297	372,650	107,900	156,375

* The total short-term borrowing includes £28,888k (2018: £14,375k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.
** The creditors lines on the Balance Sheet include £84,408k (2018: £79,002k) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

Soft Loans

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2019/20 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £245k, gym membership loans £114k and home computer loans £717k. These loans are carried at nominal value in the Balance Sheet as they are due within ten months, 12 months and two years respectively, thus the effect on the accounts is deemed to be immaterial. Similarly a 15 year loan for £100k to a charity is carried at nominal value in the Balance Sheet as it's deemed immaterial.

Equity instruments elected to fair value through other comprehensive income

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

Equity Instruments at fair value through other comprehensive income	Fair Value 31 March 2020	Fair Value 31 March 2019	Dividends 31 March 2020	Dividends 31 March 2019
	£000s	£000s	£000s	£000s
Islington Limited	-	-	-	-
Transform Islington Phase 1 Holdings Limited	-	-	25.3	3.5
Transform Islington Phase 2 Holdings Limited	-	-	10.1	11.0
Transform Islington Limited	96.4	83.7	3.9	1.6
Total	**96.4**	**83.7**	**39.3**	**16.1**

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

Items of Income, Expense, Gains or Losses

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

Income, Expense, Gains and Losses	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	2019/20 Total	2018/19 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(28,110)	-	-	(28,110)	(29,355)
Impairment losses	-	(2,849)	-	(2,849)	(2,320)
Interest payable and similar charges	**(28,110)**	**(2,849)**	**-**	**(30,959)**	**(31,675)**
Interest income	-	1,329	-	1,329	838
Dividend income	-	-	81	81	16
Impairment loss reversals	-	-	-	-	38
Interest and investment income	**-**	**1,329**	**81**	**1,410**	**892**
Net impact on surplus/deficit on provision of services	**(28,110)**	**(1,520)**	**81**	**(29,549)**	**(30,783)**
Gains on revaluation	-	-	13	13	9
Impact on other comprehensive income	**-**	**-**	**13**	**13**	**9**
Net Gain/(Loss) for the Year	**(28,110)**	**(1,520)**	**94**	**(29,536)**	**(30,774)**

Fair Values of Assets and Liabilities

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, the fair value is taken from the market price. However, the fair values of the instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

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

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March 2020.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices

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

Financial Liabilities

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

Fair value comparison of financial liabilities	Fair Value Level	Balance Sheet *31 March 2019* £000s	Fair Value *31 March 2019* £000s	Balance Sheet *31 March 2020* £000s	Fair Value *31 March 2020* £000s
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	216,312	290,862	230,245	306,268
Other long-term and short-term loans	2	64,166	62,190	75,202	75,527
Lease payables and PFI liabilities	3	123,662	190,424	111,188	161,681
Total		**404,140**	**543,476**	**416,635**	**543,476**
Liabilities for which fair value is not disclosed *		40,529		70,524	
Total Financial Liabilities		**444,669**		**487,159**	
Recorded on balance sheet as:					
Short-term creditors		12,474		15,147	
Short-term borrowing		30,375		72,888	
Cash and bank overdrawn		24,523		26,474	
Long-term borrowing		266,109		276,609	
Other long-term liabilities		111,188		96,041	
Total Financial Liabilities		**444,669**		**487,159**	

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

Financial Assets

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

Fair value comparison of financial assets	Fair Value Level	Balance Sheet 31 March 2019 £000s	Fair Value 31 March 2019 £000s	Balance Sheet 31 March 2020 £000s	Fair Value 31 March 2020 £000s
Financial assets held at fair value:					
Shares in unlisted companies	3	84	84	96	96
Financial assets held at amortised cost:					
Long-term loans to local authorities	3	10,000	10,053	5,089	5,052
Long-term loans to companies	3	748	785	707	799
TOTAL		**10,832**	**10,922**	**5,892**	**5,947**
Assets for which fair value is not disclosed *		105,402		144,203	
TOTAL FINANCIAL ASSETS		**116,234**		**150,095**	
Recorded on balance sheet as:					
Long-term investments		10,752		5,843	
Short-term debtors					
Short-term investments		85,482		90,452	
Cash and cash equivalents		20,000		53,800	
TOTAL FINANCIAL ASSETS		**116,234**		**150,095**	

23. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

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

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

Credit Risk

Treasury Investments

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

A limit of £15m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a period of 6months applies. No more than £40m in total can be invested for a period longer than one year.

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

Credit Rating	*31 March 2020*		*31 March 2019*	
	Long-term *£'000*	Short-term *£'000*	Long-term *£'000*	Short-term *£'000*
AA+	-	-	10,000	105,404
AA2	-	10,039	-	-
AA-	-	53,800	-	-
A1	-	15,089	-	-
A2	-	15,047	-	-
Unrated local authorities	5,000	50,219	-	-
Unrated private companies and other organisations (net of loss allowance)	747	58	668	79
Total	**5,747**	**144,252**	**10,668**	**105,483**
Credit risk not applicable *	96	-	84	-
Total Investments	**5,843**	**144,252**	**10,752**	**105,483**

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

Loss allowances on treasury investments have been calculated by reference to historic default data published by credit rating agencies. A two-year delay in cash flows is assumed to arise in the event of default. At 31 March 2020, £21k of loss allowances related to treasury investments.

Trade Receivables

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

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

Loss Allowances	Range of allowances set aside	31 March 2019 Gross receivable	31 March 2019 Loss allowance	31 March 2020 Gross receivable	31 March 2020 Loss allowance
Public Sector Debtors					
Other Public Sector Debtors	0% - 100%	13,990	(514)	25,024	(983)
LBI Pension Fund	0%	2,874		1,270	
Non-Public Sector Debtors					
Residential & Domiciliary Care	49%	5,255	(2,352)	6,152	(2,318)
Leaseholders: Major Works	10.5% - 95%	18,559	(1,229)	19,869	(1,333)
Housing Rents	0% - 95%	10,153	(5,491)	12,614	(6,562)
Other Non-Public Sector Debtors	0% - 100%	13,196	(883)	14,742	(1,119)
Total		**64,027**	**(10,469)**	**79,671**	**(12,315)**

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

The authority does not generally allow credit for customers, such that £10.9m of the £19.3m balance is past 30 days from invoice date. The remaining £8.4m is deemed collectable and not impaired. Debtor balances which are likely to be impaired are provided for through the bad debt provision. The past due amount can be analysed by age as follows:

Trade Receivables	31 March 2019 *£'000*	31 March 2020 *£'000*
Less than three months	11,480	14,939
Three to six months	745	1,981
Six months to one year	611	1,493
More than one year	1,630	920
Total	14,466	19,333

Loans, Financial Guarantees and Loan Commitments

In furtherance of the council's service objectives, it has lent money £50k to Islington Limited a fully owned subsidiary and £678k (including accrued interest) to three private companies responsible in managing schools under the BSF. All loans were issued at market rates.

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

Risk exposure 31 March 2019 £'000	Borrower	Exposure type	Risk exposure 31 March 2020 £'000
717	Buildings Schools for the Future (BSF) private companies	Loans at market rates	678
	-Transform Islington Phase 1 Holdings Ltd		
	-Transform Islington Phase 2 Holdings Ltd		
	-Transform Islington Ltd		
50	Islington Ltd (iCo)	Loans at market rates	50
	Highbury Roundhouse Association Ltd		98
767	**Total**		**826**

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

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

Reconciliation of loss allowances	12-month expected credit losses	Lifetime expected credit losses Simplified approach for receivables	Total loss allowance
Opening allowance 1 April 2019*	(21)	(10,469)	(10,490)
Change in risk	-	(1,846)	(1,846)
Closing allowance 31 March 2020	**(21)**	**(12,315)**	**(12,336)**

*Opening balance has been restated.

Liquidity Risk

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

The maturity analysis of the financial instruments is as follows:

Liquidity Risk	PWLB		Local Authorities		Other		Total	
	31 March 2019 *£'000*	31 March 2020 *£'000*	31 March 2019 *£'000*	31 March 2020 *£'000*	31 March 2019 *£'000*	31 March 2020 *£'000*	31 March 2019 *£'000*	31 March 2020 *£'000*
Less than one year	1,112		10,000	59,500	16,000	10,000	27,112	69,500
Between one and two years	-	4,335	14,500	19,000	10,000	10,000	24,500	33,335
Between two and five years	21,065	35,398	28,000	20,000	1,000	-	50,065	55,398
Between five and ten years	23,890	31,057	-	-	-	-	23,890	31,057
Between ten and twenty years	63,679	52,844	-	-	-	-	63,679	52,844
More than twenty years	103,976	103,976	-	-	-	-	103,976	103,976
Total	**213,722**	**227,610**	**52,500**	**98,500**	**27,000**	**20,000**	**293,222**	**346,110**
Accrued Interest *							3,263	3,388
Trade creditors *							40,528	41,866
Cash Overdrawn *							24,452	26,474
Total Carrying Amount							**361,465**	**417,838**

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

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

Market Risk

Interest Rate Risk

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

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

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

The council is exposed to risks arising from movements in interest rates. The Treasury Management and Investment Strategy aims to mitigate these risks by setting upper and lower limits on one year impact of a rise and fall in interest rates by 1%. As at 31 March 2020, the whole debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	(538)
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	(538)
Share of overall impact debited/credited to HRA	1,319
Decrease in fair value of fixed rate investments*	0
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings/liabilities*	(35,983)

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

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

Price Risk

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

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

24. Short Term Creditors

31 March 2019 £'000	Short-Term Creditors	31 March 2020 £'000
	Public Sector Creditors	
24,802	GLA/MHCLG: Council Tax and Business Rates	33,685
6,249	HMRC: Tax	6,547
2,781	DWP: Housing Benefit Subsidy	-
3,549	MHCLG: Pooling of Capital Receipts	1,919
13,688	Other Public Sector Creditors	9,025
51,069	Total Public Sector Creditors	51,177
	Non-Public Sector Creditors	
15,013	Council Tax and Business Rates	12,289
12,474	Short-term lease liabilities	15,147
8,195	Receipts in Advance	9,088
5,939	Accumulated Absences	5,733
4,704	Capital Creditors	4,047
22,136	Other Creditors	28,794
68,461	Total Non-Public Sector Creditors	75,097
119,530	**Total Short-Term Creditors**	**126,274**

25. Debtors

31 March 2019 Gross Debt £'000	31 March 2019 Impairments for Doubtful Debt £'000	31 March 2019 Net Debt £'000	Debtors	31 March 2020 Gross Debt £'000	31 March 2020 Impairments for Doubtful Debt £'000	31 March 2020 Net Debt £'000
			Public Sector Debtors			
9,718	-	9,718	HMRC: VAT	11,772	-	11,772
2,874	-	2,874	LBI Pension Fund	1,270	-	1,270
86	-	86	Pension Fund Prepayments	90	-	90
13,990	(514)	13,476	Other Public Sector Debtors	25,024	(983)	24,041
			Non-Public Sector Debtors			
12,454	(10,784)	1,670	Non-Domestic Rates	10,571	(7,953)	2,618
24,653	(22,914)	1,739	Council Tax	24,914	(23,439)	1,475
15,538	(13,652)	1,886	Housing Benefit Overpayments	16,083	(14,146)	1,937
17,283	(15,604)	1,679	Parking Fines	22,023	(20,061)	1,962
5,255	(2,352)	2,903	Residential & Domiciliary Care	6,152	(2,318)	3,834
18,559	(1,229)	17,330	Leaseholders: Major Works/Service Charges	19,869	(1,333)	18,536
10,153	(5,491)	4,662	Housing Rents	12,614	(6,562)	6,052
3,543	-	3,543	Section 106 / CIL	2,797	-	2,797
545	-	545	Prepayments	3,213	-	3,213
13,196	(883)	12,313	Other Non-Public Sector Debtors	14,742	(1,119)	13,624
147,847	**(73,423)**	**74,424**	**Total Debtors**	**171,134**	**(77,913)**	**93,221**
138,208	(72,471)	65,737	Short term debtors	161,441	(76,718)	84,723
9,639	(952)	8,687	Long term debtors*	9,693	(1,195)	8,498

26. Provisions

Provisions 2019-20	Insurance £'000	Business Rate Appeals £'000	Social Services Charges £'000	Disrepair claims £'000	Other minor £'000	Total £'000
Balance at 1 April 2019	**13,922**	**16,496**	**623**	**532**	**826**	**32,399**
Additional provisions made in 2019/20	323	3,693	162	401	1,358	**5,935**
Amounts used in 2019/20	-	(4,240)	-	(309)	(303)	**(4,852)**
Unused amounts reversed in 2019/20	-	-	-	(11)	-	**(11)**
Balance at 31 March 2020	**14,245**	**15,949**	**785**	**613**	**1,881**	**33,472**
Analysis of Balance at 31 March 2020						
Settled within 12 months	2,375	7,584	-	613	1,881	**12,452**
More than 12 months	11,870	8,365	785	-	-	**21,020**
	14,245	**15,949**	**785**	**613**	**1,881**	**33,472**

Legal claims outstanding (Social Services Charges)

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

Business Rate Appeals

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

Insurance Provision

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

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

Insurance Fund	£'000
Employers' Liability	1,431
Public Liability/Tree Roots	8,762
Motor	1,075
Property and Miscellaneous	2,984
Adjustment for Aggregate Breaches	(230)
MMI Clawback	444
Pre-1992 Risk Issues	2,076
Total Funding Requirement as at 31st March 2020	**16,542**
Insurance Fund	(14,245)
Imprest Account	(2,471)
Total Insurance Funds	**(16,716)**
Estimated Insurance Fund (Surplus)/Deficit as at 31st March 2020	**(174)**

27. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2019/20:

31 Mar 2019 £'000	Earmarked Reserves	31 Mar 2020 £'000
	General Fund	
2,810	Invest to Save	-
21,920	Services Specific (Corporate)	-
-	Budget Risk and Insurance Reserve	17,396
3,279	Capital Reserve	-
1,063	Cemetery Trading Account	1,634
7,999	Housing Benefit Reserve	7,921
4,184	BSF PFI 1 Reserve	4,979
-	CIL Strategic Reserve	4,664
3,769	CIL Neighbourhood Reserve	4,764
-	Budget Strategy	21,111
-	Covid -19	7,684
-	Public Health	2,123
10,448	Transformation Reserve	-
13,521	NNDR Smoothing Reserve	7,723
579	Street Market Reserves	260
69,572	**General Fund Total**	**80,259**
	HRA	
5,510	PFI - Housing PFI I	5,510
1,575	HRA Tenants' H&HW r-f Reserve	1,487
70,589	HRA Risk Equalisation Reserve	83,892
77,674	**HRA Total**	**90,889**

- Budget Risk and Insurance reserve (formerly named Services Specific reserve) – The previous Services Specific reserve has been re-designated as a corporate Budget Risk and Insurance reserve with the exception of the ring-fenced element related to Public Health that is now held in a separate reserve. This reserve is set aside to mitigate budget risks, particularly the impact of delayed savings delivery, and for one-off expenditure commitments that span more than one financial year.
- Budget Strategy reserve (amalgamation of previous Transformation, Invest to Save and Capital reserves) – This reserve will provide one-off funding linked to the delivery of the medium-term Financial Strategy (e.g. one-off investment costs, revenue costs of capital projects, redundancy costs).
- Building Schools for the Future (BSF) PFI Smoothing reserve – The annual costs of PFI schemes fluctuate over the lifecycle of the schemes. This earmarked reserve helps to smooth the budgetary impact of PFI costs across financial years.
- Cemeteries reserve – The council operates a shared cemeteries service with the London Borough of Camden, and any surplus at the end of each financial year is carried forward through this reserve.
- Community Infrastructure Levy (CIL) reserves – This is the balance of CIL funding available for infrastructure investment in future financial years.
- COVID-19 reserve – This is the remaining balance of COVID-19 government grant funding received in 2019/20 that will be used to towards the significant COVID-19 related budget shortfall in 2020/21.
- Housing Benefit reserve – This reserve is set aside to fund the transitional costs of implementing Universal Credit.
- NNDR Smoothing reserve – This reserve is an accumulation of unbudgeted retained business rates income, including the one-off financial gain from being part of the London Business Rates Retention Pilot Pool in 2018/19 and 2019/20. This one-off funding has been set aside, but not yet allocated, for risks around government funding reforms and/or additional one-off expenditure requirements.

- Public Health reserve – This is the balance of ring-fenced public health grant funding carried forward to spend in future financial years.
- Street Markets reserve – The council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, any surplus at the end of each financial year is carried forward through this reserve for the future costs of operating the markets.
- HRA PFI 1 Smoothing reserve – Similar to the BSF smoothing reserve, this reserve helps to smooth the budgetary impact of PFI costs across financial years.
- HRA Risk Equalisation reserve – This reserve mitigates against HRA financial pressures arising from legislative changes.
- HRA Tenants' Heating and Hot Water reserve – This reserve allow us to manage a stable tenant charging policy by insulating tenants from the volatility of the gas market.

28. Unusable Reserves

31 March 2019 £'000	Unusable Reserves	31 March 2020 £'000
1,005,028	Revaluation Reserve	1,016,704
2,284,074	Capital Adjustment Account	2,316,657
84	Financial Instruments Adjustment Account	97
(925,265)	Pensions Reserve	(911,488)
8,273	Collection Fund Adjustment Account	8,820
(5,939)	Accumulated Absences Account	(5,734)
2,366,253	**Total Unusable Reserves**	**2,425,054**

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

2018/19 £'000	Store of unrealised gains on revaluation of non current assets - Revaluation Reserve	2019/20 £'000
(1,121,511)	**Balance as at 1 April**	**(1,005,028)**
(63,797)	Gains on revaluations	(94,709)
12,079	Less Depreciation on revalued amounts	11,608
160,195	Less revaluation losses and impairments written off to previous gains	66,665
8,006	Less gains written out for disposed assets	4,760
(1,005,028)	**Balance as at 31 March**	**(1,016,704)**

b) Capital Adjustment Account:

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements or accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluations Reserve to convert fair value figures to a historical cost basis). The Capital Adjustment Account

is credited with the amounts set aside by the council as finance for the costs of acquisition, construction and subsequent costs.
The Capital Adjustment Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the council.

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

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

2018/19 £'000	Capital Adjustment Account	2019/20 £'000
(2,254,889)	**Balance as at 31 March**	**(2,284,074)**
(21,863)	Capital Expenditure Financed from Usable Capital Receipts	(30,112)
(44,604)	Capital Expenditure Financed from the Major Repairs Reserve	(46,326)
(3,193)	Capital Expenditure Financed from Revenue Resources	(161)
(21,133)	Capital Expenditure funded by Grant	(24,664)
7,477	REFCUS funded by Capital Receipts	8,243
14,049	Gains / Losses on revaluation of non-current assets	20,012
2,553	Impairments of non-current assets	2,125
59,055	Depreciation of PPE non-current Assets	57,618
(1,283)	Minimum Revenue Provision	(1,893)
(10,716)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(11,755)
(8,006)	Write out of Gains relating to Revalued Disposed Assets	(4,759)
12,871	Current Value of Disposed Assets	9,139
(12,079)	Write out of depreciation on revalued amounts (HCA)	(11,608)
(2,313)	Gains and losses on Fair Value of Investment Properties	1,558
(29,185)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(32,583)**
(2,284,074)	**Balance as at 31 March**	**(2,316,657)**

c) Financial Instruments Adjustment Account

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

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

2018/19 £'000	Financial Instruments Adjustment Account	2019/20 £'000
(75)	**Balance as at 1 April**	(84)
(9)	Upward revaluation of investments	(13)
(84)	**Balance as at 31 March**	**(97)**

d) Pensions Reserve:

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £'000	Pensions Reserve	2019/20 £'000
(802,883)	**Balance at 1 April**	**(925,265)**
(61,473)	Actuarial gains or losses on pensions assets and liabilities	68,676
(96,700)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(93,343)
35,791	Employer's pensions contributions and direct payments to pensioners payable in the year	38,444
(925,265)	**Balance at 31 March**	**(911,488)**

e) Collection Fund Adjustment Account: :

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

2018/19 Council Tax	2018/19 Non-Domestic Rates	2018/19 Total	Collection Fund Adjustment Account	2019/20 Council Tax	2019/20 Non-Domestic Rates	2019/20 Total
£'000	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*
397	4,819	5,217	**Balance at 1 April**	786	7,487	8,273
(379)	(3,850)	(4,229)	Contribution to General Fund from previous year's (surplus) / deficit	(669)	(2,708)	(3,377)
768	6,517	7,285	Current year's collection fund surplus / (deficit)	905	3,019	3,924
786	**7,487**	**8,273**	**Balance at 31 March**	**1,022**	**7,798**	**8,820**

f) Accumulated Absences Account

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

2018/19 *£'000*	2018/19 *£'000*	Accumulated Absences Account	2019/20 *£'000*	2019/20 *£'000*
	5,574	**Balance at 1 April**		**5,939**
		Business combinations		-
(5,574)		Settlement or cancellation of accrual made at the end of the preceding year	(5,939)	
5,939		Amounts accrued at the end of the current year	5,734	
	365	Amount by which officer remuneration charged to the Comprehensive income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(205)
	5,939	**Balance at 31 March**		**5,734**

29. Cash and Cash Equivalents

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

31 March 2019 £'000	Cash and Cash Equivalents	31 March 2020 £'000
(24,523)	Cash and Bank Overdrawn	(26,474)
20,000	Liquid investments	53,800
90	Cash held by the authority	149
701	Bank accounts	257
20,791	Cash and Cash Equivalents	54,206
(3,732)	**Total Cash and Cash Equivalents**	**27,732**

Further information on liquid investments is included in note 23.

30. Cash Flow Statement – Operating Activities

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

2018/19 £'000	Operating Activities Adjustments	2019/20 £'000
(49,164)	**Net Surplus or (Deficit) on the Provision of Services**	**(41,778)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
59,053	Depreciation	57,618
16,603	Impairment and downward valuations	22,136
(354)	Increase/Decrease in Creditors	2,436
(6,589)	Increase/Decrease in Debtors	(17,158)
(358)	Increase/Decrease in Inventories	(1,064)
69,829	Movement in Pension Liability	63,765
64	Increase/(decrease) in impairment for bad debts	243
12,871	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	9,139
9,874	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	2,631
160,993	**Total**	**139,746**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(24,608)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,725)
6	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	9
(18,958)	Any other items for which the cash effects are investing or financing cash flows	(24,518)
(43,560)	**Total**	**(51,234)**
68,269	**Net Cash Flows from Operating Activities**	**46,734**

The cash flows for operating activities include the following items:

2018/19 £'000	Operating Activities (Interest)	2019/20 £'000
1,106	Interest Received	1,443
(13,404)	Interest Paid	(13,249)

31. Cash Flow Statement – Investing Activities

2018/19 £'000	Investing Activities	2019/20 £'000
(108,919)	Purchase of property, plant and equipment, investment property and intangible assets	(110,422)
-	Purchase of short-term and long-term investments	(152,700)
(5,221)	Other payments for investing activities	(8,938)
24,364	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	24,956
37,000	Proceeds from short-term and long term investments	152,609
32,718	Other receipts from investing activities	29,545
(20,058)	**Net cash flows from investing activities**	**(64,950)**

32. Cash Flow Statement – Financing Activities

2018/19 £'000	Financing Activities	2019/20 £'000
131,000	Cash receipts of short- and long-term borrowing	180,000
(11,348)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(12,475)
(148,112)	Repayments of short- and long- term borrowing	(127,112)
(17,688)	Other payments for financing activities	9,267
(46,148)	**Net cash flows from financing activities**	**49,680**

Reconciliation of Liabilities arising from Financing Activities	31-Mar-19 £'000	Financing Cash Flows £'000	Non Cash Changes £'000	31-Mar-20 £'000
Long-term borrowings	(266,109)	(21,625)	11,125	(276,609)
Short-term borrowings	(30,375)	(28,000)	(14,513)	(72,888)
Lease Liabilities	(662)	(26)	0	(688)
On Balance Sheet PFI Liabilities	(123,001)	12,501	0	(110,500)
Total Liabilities from Financing Activities	**(420,147)**	**(37,150)**	**(3,388)**	**(460,685)**

33. Contingent Liabilities and Assets

Legal claims pending settlement
There are 22 outstanding employment tribunal claims where the council is the Respondent. A liability will arise if either the council settles a claim and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the Claimant and the council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £0.7m.

The council has potential liability for damages and costs arising out of ongoing disrepair claims estimated at £208K.

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

Over the next few years, there are a number of leases expiring where there may be an obligation on the council to make good any assessed dilapidations.
Implementation of a number of the housing new build schemes will give rise to a liability to compensate third parties in respect of interference with rights of light and business displacement

Termination Benefits
The cost of termination benefits in 2019/20 is detailed in Note 8. Some further cuts to the council's workforce may take place over the medium term. The significant costs in terminating employment contracts in the future cannot be estimated with any great degree of accuracy as they will depend on a number of factors related to the individuals concerned, such as grade and length of service.

Contractual claims pending

None pending.

Guarantees given

The council has given a guarantee to make additional financing available to its trading subsidiary, ICo Limited. In ICo Limited's audited financial statements, for 2018/19, the company's net liabilities as at 31 March 2019 totalled £36k.

Contingent Assets

None known.

34. Events After the Balance Sheet Date

The Statement of Accounts 2019/20 was authorised for issue on 30 November 2020 by David Hodgkinson, Corporate Director of Resources. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

COVID-19 has had a fundamental impact on the Council's finances. The impact of COVID-19 is expected to be most significant in 2020/21. More details on this can be found in the narrative report on page 11.

In April 2020, the Council paid the Pension fund £26.9m three years in advance to fund the pension fund deficit.

35. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The council participates in two post-employment schemes:

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

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

Transactions Relating to Post-Employment Benefits

The council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement or adjusted in the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Discretionary Benefits Arrangements *	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	52,326	59,763	-	-
Past service costs including curtailments	23,545	11,904	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	19,415	20,392	1,413	1,284
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**95,286**	**92,059**	**1,413**	**1,284**
Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
Return on plan assets (excluding the amount included in the net interest expense)	(55,218)	82,475	-	-
Actuarial (gains) and losses arising from changes in demographic assumptions	-	(71,392)	-	(1,530)
Actuarial (gains) and losses arising from changes in financial assumptions	114,175	(54,916)	1,307	(344)
Changes in effect of Asset Ceiling	1,209	(377)	-	-
Other (if applicable)	-	(18,932)	-	(3,659)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**155,452**	**28,917**	**2,720**	**(4,249)**
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(95,286)	(92,059)	(1,413)	(1,284)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	32,405	35,098	3,386	3,346
Retirement Benefits Payable to Pensioners	-	-	(3,386)	(3,346)

*Discretionary benefits comprise the unfunded elements of the local government pension schemes (LGPS and LPFA) and the teachers pension scheme.

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of its defined benefit plans is as follows:

Scheme History	Funded Liabilities				Unfunded Liabilities		
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits		Total
	31 March 19	31 March 20	31 March 19	31 March 20	31 March 19	31 March 20	31 March 20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Present Value of defined benefit obligation	(2,191,137)	(2,130,585)	(44,613)	(37,729)	(53,451)	(45,856)	**(2,214,170)**
Fair Value of Plan Assets	1,327,542	1,264,768	48,445	40,797	-	-	**1,305,565**
Impact of Asset Ceiling			(3,188)	(2,883)			**(2,883)**
Net liability	**(863,595)**	**(865,817)**	**644**	**185**	**(53,451)**	**(45,856)**	**(911,488)**

The total net liability of £911m has a substantial impact on the net worth of the council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the council remains healthy:

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

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

Liabilities show the underlying commitments that the council has in the long run to pay in retirement benefits.

Reconciliation of present value of the scheme liabilities 2019/20	Funded Liabilities		Unfunded Liabilities
	Pension Fund	Fund Authority	Discretionary Benefits
	£'000	£'000	£'000
Balance as at 31 March 2019	**2,191,137**	**44,613**	**53,451**
Current service costs	58,286	187	
Interest cost	52,069	976	1,284
Contributions by scheme participants	11,936	23	
Remeasurement (gains) and losses:			
Actuarial gains and losses arising from changes in demographic assumptions	(70,148)	(1,244)	(1,530)
Actuarial gains and losses arising from changes in financial assumptions	(50,583)	(4,333)	(344)
Other (if applicable)	(18,846)	(86)	(3,659)
Past service costs	10,918	53	
Losses/(gains) on curtailment	933		
Liabilities assumed on entity combinations			
Benefits paid	(55,117)	(2,460)	(3,346)
Liabilities extinguished on settlements			
Balance as at 31 March 2020	**2,130,585**	**37,729**	**45,856**

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

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

Assets in the funded local government scheme are valued at fair value, principally market value for investments. Discretionary benefits arrangements under the Teachers' Pension Scheme and the Local Government Pension Scheme have no assets to cover the liabilities.

Reconciliation of the Movements in the Fair Value of Scheme Assets 2019/20	Funded Liabilities Pension Fund	Funded Liabilities Fund Authority	Unfunded Liabilities Benefits
	£'000	£'000	£'000
Closing Fair Value of Scheme Assets as at 31 March 2019	**1,327,542**	**48,445**	**0**
Interest Income	31,661	1,064	
Remeasurement gain/(loss)			
The return on plan assets, excluding the amount included in the net interest expense	(76,195)	(4,769)	
Other (if applicable)		(1,511)	
Business combinations			
Settlements			
Contributions by the employer	26,166	69	3,346
Contributions by scheme participants	11,936	23	
Benefits paid	(55,117)	(2,461)	(3,346)
Administration expenses	(1,225)	(63)	
Closing Fair Value of Scheme Assets as at 31 March 2020	**1,264,768**	**40,797**	**0**

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

Reconciliation of Asset Ceiling

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

Reconciliation of Asset Ceiling 2019/20	London Pension Fund Authority
	£'000
Closing impact of Asset Ceiling as at 31st March 2019	**(3,188)**
Interest on Asset Ceiling	(72)
Actuarial (loss) gain	377
Closing impact of Asset Ceiling as at 31st March 2020	**(2,883)**

Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

Local Government Pension Scheme Assets (LGPS)	Quoted	Fair value of scheme assets 31 March 2019 £000	31 March 2020 £000
Equities			
UK quoted	Y	213,764	172,032
Private equity	N	26,554	25,299
Global - North America	Y	212,436	240,337
Global - Europe	Y	151,360	144,202
Global - Japan	Y	26,554	25,299
Global - Pacific (ex Japan)	Y	39,832	37,948
Global - Emerging / Other	Y	79,663	88,545
Sub-total equities		**750,163**	**733,662**
Bonds			
UK other	Y	201,814	145,467
Sub-total bonds		**201,814**	**145,467**
Property			
UK	Y	237,662	206,943
Overseas	N	21,244	16,950
Sub-total property		**258,906**	**223,893**
Alternatives			
Class 1	Y	**110,201**	**155,587**
Cash			
Cash accounts	N	6,639	6,325
Sub-total cash			
Total assets		**1,327,723**	**1,264,934**

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets 31 March 2019 £000	31 March 2020 £000
Equities			
Global	Y	19,475	17,176
Private equity	N	4,893	3,386
Sub-total equities		**24,368**	**20,562**
Bonds			
Total return quoted	Y	6,782	4,937
Fixed Income	Y	2,277	1,999
Sub-total bonds		**9,059**	**6,936**
Alternatives			
Infrastructure	N	2,907	2,856
Property funds	N	4,554	3,713
Cash	Y	3,585	3,345
Cash	N	145	367
Credit	N	3,827	3,019
Sub-total alternatives		**15,018**	**13,300**
Total assets		**48,445**	**40,798**

Basis for Estimating Assets and Liabilities

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

Both the local government scheme liabilities and teachers' pensions discretionary benefits liabilities have been assessed by Mercer and Barnett Waddingham, independent firms of actuaries, being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

	Funded and Unfunded				Unfunded	
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers Pension Scheme	
	31 March 19	31 March 20	31 March 19	31 March 20	31 March 19	31 March 20
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	23.1	22.7	20.6	20.8	23.1	23.1
Women	26.3	25.7	23.7	23.6	26.3	26.3
Longevity at 65 for future pensioners (in years):						
Men	25.3	24.2	23.0	22.8	0.0	0.0
Women	28.6	27.6	26.0	25.9	0.0	0.0
Rate of inflation	2.3%	2.2%	2.5%	1.9%	2.3%	2.2%
Rate of increase in salaries	3.8%	3.6%	4.0%	2.9%	0.0%	0.0%
Rate of increase in pensions	2.4%	2.2%	2.5%	1.9%	2.4%	2.2%
Rate of discounting scheme liabilities	2.8%	2.4%	2.3%	2.5%	2.7%	2.4%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Impact on the Defined Benefit Obligation in the Scheme	LGPS		LPFA	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	£000	*£000*	*£000*	*£000*
Longevity (increase or decrease in 1 year)	58,201	(58,201)	1,296	(1,254)
Rate of inflation (increase or decrease by 0.1%)	34,717	(34,717)	458	(453)
Rate of increase in salaries (increase or decrease by 0.1%)	3,259	(3,259)	12	(11)
Rate of increase in pensions (increase or decrease by 0.1%)	34,717	(34,717)	458	(453)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(34,169)	34,169	(461)	467

Impact of the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the 22 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2016.

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

The council expects to pay a total of £55.8m in contributions to the LGPS and LPFA schemes in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 16 years in 2019/20 (18 years in 2018/19), and within LPFA is 12 years in 2019/20 (12 years in 2018/19).

The authority is exposed to a number of risks:

LGPS

- Investment risk. The Fund's primary risk is that assets fall short of liabilities in the long term and as a result it is not able to honour promised benefits to members. The Fund has identified the investment risk inherent in the predominantly equity based strategy, as its biggest risk. The Investment Strategy adopted by the Pension Sub-Committee to mitigate this risk includes a diversified asset allocation to include property, private equity and bonds. The equity portfolio is diversified by region and company holdings. The committee monitors regularly by performance benchmark and reviews strategies as markets evolve.
- Price Risk. The Fund quantifies prices risk by observing the potential market movement on the riskier assets and possible change in valuation.
- Currency risk. Overseas equities held by the Fund are currently 50-75% hedged hence mitigating any volatility in the major currencies of the dollar, yen and euro. 75% of the overseas equities are in the basket of the passive currency overlay hedge.
- Other risks.
    - Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow.
    - There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes.

LPFA

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

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

Defined Benefit Scheme - Accrued Pensions Contributions

As at 31 March 2020, the council owed LGPS £1.5m and LPFA £15k in contributions and pension strain.

36. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2019/20 the council paid £10m to Teacher's Pensions in respect of teachers' retirement benefits, representing an average of 20.66% of pensionable pay. The figures for 2018/19 were £8m and 16.48%, respectively. A total of £1.4m for both employer and employee remained payable at year-end. The contributions due to be paid in the next financial year are estimated to be £11.5m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2019/20 these amounted to £0.8m (£0.8m in 2018/19).

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

NHS Pension Scheme

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

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

In 2019/20, £132.6k was payable by the council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing 14.38% of pensionable pay. The figures for 2018/19 were £118k and 14.38%, respectively.

37. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

Income from Grants, Contributions and Donations	2018/19 £'000	2019/20 £'000
Credited to Taxation and Non-Specific Grant Income		
COVID-19	-	8,949
New Homes Bonus	6,176	5,051
Business Rates Relief Grant	7,485	9,556
Capital Grants	18,958	24,085
Other Non-specific Grants	4,078	4,486
Total	**36,697**	**52,127**
Credited to Services		
Dedicated Schools Grant	147,478	149,841
Housing Benefit Subsidy	186,334	166,305
Public Health Grant	25,923	25,238
Private Finance Initiative	32,907	32,907
Pupil Premium Grant	11,461	10,741
Additional Better Care Fund	3,680	1,820
Improved Better Care Fund	6,478	10,970
Asylum Seeker Grant	1,407	2,441
Flexible Homelessness	2,323	2,141
Sixth Form Funding	2,978	2,608
Other Grants and Contributions	20,912	24,773
Total	**441,881**	**429,785**
Total Grant and Contributions	**478,578**	**481,912**

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

31 March 2019 £'000	Grant Balances	31 March 2020 £'000
	Grants Receipts in Advance - Short Term	
	Revenue Grants	
(3,780)	Dedicated Schools Grant	(2,680)
(902)	Other government grants balances	(9,001)
(178)	Other contributions	(53)
(4,860)	**Total**	**(11,734)**
	Capital Grants	
(495)	Government grants	(513)
(7,324)	s106 contributions	(5,080)
(3)	Third party contributions	(808)
(7,822)	**Total**	**(6,401)**
	Grants Receipts in Advance - Long Term	
	Capital Grants	
(855)	Government grants	(1,478)
(25,796)	s106 contributions	(22,740)
(26,651)	**Total**	**(24,218)**

38. Dedicated Schools Grant

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

Over and under-spending on the two elements must be accounted for separately. Details of the deployment of DSG receivable for 2019/20 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2019/20 before Academy recoupment			181,672
Academy recoupment 2019/20			32,998
Total DSG after Academy recoupment for 2019/20			**148,674**
Brought forward from 2018/19	3,780		3,780
Agreed initial budgeted distribution for 2019/20	**31,690**	**120,770**	**152,460**
In-year adjustments (EYB)	61		**61**
Final budgeted distribution for 2019/20	**31,751**	**120,770**	**152,521**
less Actual Central Expenditure	(29,070)		(29,070)
less Actual ISB deployed to schools		(120,770)	(120,770)
plus local authority contribution for 2019/20			-
Carry forward to 2020/21	**2,680**	**0**	**2,680**

39. Trust Funds and Other Third Party Funds

The council does not act as sole trustee or custodian trustee for any trust funds, nor is it a trustee for any other funds. However, the council is responsible for the administration of a number of third party funds. These funds do not represent assets of the council and, therefore, have not been included in the council's Balance Sheet. These funds totalled £31m as at 31 March 2020 (£31.0m as at 31 March 2019) and mainly relate to money held for vulnerable individuals living in their own homes or in residential homes.

Housing Revenue Income and Expenditure Account

This account records income and expenditure relating the council's housing stock.

Income and Expenditure Statement for the Housing Revenue Account

2018/19 £'000	Housing Revenue Account Income and Expenditure Statement	2019/20 £'000
	Expenditure	
32,476	Repairs and Maintenance	37,219
103,838	Supervision and Management	106,797
1,014	Rents, Rates, Taxes and Other Charges	1,060
29,894	Depreciation of non-current Assets	28,885
20,475	Gain or loss on Revaluation of non-current Assets	21,958
338	Debt Management Costs	368
188,035	**Total Expenditure**	**196,287**
	Income	
(151,840)	Dwellings Rents (gross)	(152,531)
(1,381)	Non-Dwellings Rents (gross)	(1,348)
(37,244)	Charges for Services & Facilities	(43,780)
(816)	Transfers from General Fund - Communal Use	(816)
(22,855)	PFI Government grant receivable	(22,855)
(745)	Contributions towards Expenditure	-
(214,881)	**Total Income**	**(221,330)**
(26,846)	**Net Cost of Services as included in the Comprehensive Income and Expenditure Statement**	**(25,044)**
2,452	HRA services' share of Corporate and Democratic Core	2,452
(24,394)	**Net (Income) / Cost of HRA Services**	**(22,592)**

	HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:	
(14,808)	Gain or loss on sale of property, plant & equipment	(10,770)
(145)	Gain or loss on sale of investment properties	(171)
	Income and expenditure in relation to investment properties	-
(287)	Gain or loss on revaluation of investment properties	343
25,025	Interest payable and similar charges	23,850
1,641	Movement in the allowance for bad debts	1,783
(6,157)	Capital Grants and Contributions receivable	(10,195)
(801)	Interest and investment income	(924)
(19,926)	**(Surplus)/Deficit for the year on HRA Services**	**(18,677)**

Statement of Movement on the Housing Revenue Account Balance

This Statement provides a reconciliation between the HRA Income and Expenditure Statement and the movement on the HRA Balance.

2018/19 £'000	Movement on the HRA Statement	2019/20 £'000
(17,521)	**Balance on the HRA at the end of the previous year**	**(17,521)**
(19,926)	(Surplus) or Deficit for year on the HRA Income and Expenditure Account	- 18,677
4,661	Adjustments between accounting basis and funding basis under statute	5,463
(15,265)	**Net (Increase) or decrease before transfers to or from reserves**	**(13,214)**
15,265	Transfers to / (from) reserves	13,214
-	**(Increase) or decrease in year on the HRA**	**(0)**
(17,521)	**Balance on the HRA at the end of the current year:**	**(17,521)**

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

2018/19 £'000	Note on Reconciling Items for the HRA Balance	2019/20 £'000
	Adjustments between accounting basis and funding basis under statute	
	Impairment of non-current Assets	(2,125)
6,157	Capital Grants received transferred to Grants Reserve	10,195
-	REFCUS	-
8,334	Repayment of PFI / lease liabilities	9,486
14,808	Gain or loss on sale of HRA non-current assets	10,770
(20,475)	Gain or loss on revaluation of council dwellings	(19,833)
(8,705)	Reversal of charges made for retirement benefits in accordance with IAS 19	(10,208)
-	Differences between interest payable and similar charges including amortisation of premiums and discounts	-
4,400	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	5,090
(5)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(46)
287	Gain or loss on revaluation of investment properties	(343)
(140)	Capital Receipts funding of Disposal Costs	(128)
(29,894)	Transfer from Capital Adjustment Account equivalent to depreciation	(28,885)
-	Capital Expenditure funded by the HRA	-
29,894	Transfers to/(from) Major Repairs Reserve	31,489
	Transfer to / from earmarked reserves	
-	Transfer to/(from) PFI Smoothing Fund	-
192	Transfer to/(from) Tenants' Heating & Hot Water Reserve	(88)
15,073	Amounts transferred to/(from) HRA Reserve	13,303
19,926	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**18,677**

Notes to the Housing Revenue Account

1. Number and Types of Dwellings

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

31 March 2019 *Nos*	Housing stock numbers	31 March 2020 *Nos*
22,841	Flats	22,776
2,433	Houses	2,464
25,274	**Total**	**25,240**

2. Value of Dwellings

The value of council Dwellings as at 31 March 2020 was £3,048 billion. The basis of the valuation for these dwellings is "Existing Use Value for Social Housing" based on the vacant possession value of the properties, adjusted to reflect theoccupation by a secure tenant. The vacant possession factor remained at 25% in 2019/20 which means that the vacant possession value of the dwellings within the HRA as at 31 March 2020 is £12.191 billion. The difference between the vacant possession and the balance sheet value shows the economic cost to the government of providing social housing at less than open market rents.

31 March 2019 *£'000*	Housing Stock - Value	31 March 2020 *£'000*
	Operational Assets	
3,021,427	Council Dwellings	3,047,698
	Other	
25,052	Other Land & Buildings	25,254
19,558	Infrastructure assets	19,468
263	Vehicles, Plant & Equipment	2,919
41	Surplus non-operational assets	13
3	Community Assets	3
1,797	Investment Properties	1,364
49,463	Assets under Construction	58,849
3,117,604	**Total**	**3,155,568**

3. Major Repairs Reserve

Expenditure financed from the Major Repairs Reserve amounted to £46.3m in 2019/20 (£44.6m in 2018/19).

2018/19 *£'000*	Major Repairs Reserve	2019/20 *£'000*
(51,458)	**Balance as at 1 April**	**(36,748)**
(29,894)	Transfer from HRA equivalent to HRA depreciation	(28,885)
-	Other transfer to/(from) HRA	(2,604)
44,604	Capital Expenditure on Dwellings	46,328
(36,748)	**Balance as at 31 March**	**(21,909)**

4. Capital Expenditure and Capital Receipts

The council spent £76.9m on the housing stock in 2019/20 (£64.5 in 2018/19).
Net capital receipts in year amounted to 16.7m of which £13.8m is due to be paid to central government.

2018/19 £'000	HRA Capital Expenditure	2019/20 £'000
64,160	Works to HRA Dwellings / Other Properties	76,937
320	REFCUS*	-
64,480	**Total**	**76,937**

2018/19 £'000	Capital Expenditure by Funding Source	2019/20 £'000
-	Borrowing*	-
(13,000)	Usable Capital receipts*	(19,982)
(20)	Revenue Contributions	-
(44,604)	Major Repairs Reserve	(46,328)
(6,856)	Other	(10,627)
(64,480)	**Total**	**(76,937)**

2018/19 £'000	Summary of Capital Receipts	2019/20 £'000
4,946	Usable	2,933
14,966	Paid to the government Housing Capital Receipts Pool	13,816
19,912	**Total**	**16,749**

*2018/19 REFCUS, Borrowing and Capital Receipts have been restated to exclude REFCUS relating to the General Fund. Previously the figures were shown as follows; REFCUS - £6,735K, Borrowing - £3,014K and Capital Receipts - £16,401K.

5. Depreciation

The amount included in the Housing Revenue Account Income and Expenditure Account for depreciation amounted to £28.9m (£29.9m in 2018/19).

2018/19 £'000	Depreciation	2019/20 £'000
27,292	Council Dwellings	26,503
1,270	Other Land & Buildings	1,084
1,245	Infrastructure Assets	1,298
87	Vehicles, Plant & Equipment	-
29,894	**Total Depreciation**	**28,885**

6. Contribution to Pension Reserve

HRA share of the contribution to the Pension Reserve in 2019/20 was £4.8 (£4.3m in 2018/19).

7. Rent Arrears

Outstanding rent arrears as at 31 March 2020 were £10.2m The amounts outstanding as at 31 March 2019 were £8.1m. During 2019/20, irrecoverable rent arrears of £0.7m were written off. The cumulative impairment for rent arrears within the HRA account is £5.3m The table below shows rent arrears in 2019/20 and 2018/19

2018/19 £'000	Rent Arrears	2019/20 £'000
5,037	Current tenants	6,984
3,042	Former tenants	3,260
8,079	**Total**	**10,244**

Collection Fund Statement

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

Income and Expenditure Statement

2018/19 Council Tax £'000	2018/19 Non-Domestic Rates £'000	2018/19 Total £'000	Summary of Income and Expenditure Account as at 31st March 2020	2019/20 Council Tax £'000	2019/20 Non-Domestic Rates £'000	2019/20 TOTAL £'000
			Income			
(115,365)	(292,084)	(407,449)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(121,393)	(298,364)	(419,757)
-	(8,776)	(8,776)	Business Rate Supplement Income	-	(8,622)	(8,622)
			Transfers from General Fund			
-	(18,381)	(18,381)	Transitional Relief	-	(8,131)	(8,131)
(115,365)	**(319,241)**	**(434,606)**	**Total Income**	**(121,393)**	**(315,117)**	**(436,510)**
			Expenditure			
			Precepts, Payments & Demands			
17	-	17	Lloyd Square	17	-	17
23,002	101,755	124,757	Greater London Authority	25,488	76,205	101,693
-	8,758	8,758	BRS Payments	-	8,537	8,537
88,747	180,897	269,644	London Borough of Islington	92,977	135,476	228,453
-	-	-	Payments with respect to Central Share	-	70,560	70,560
111,766	**291,410**	**403,176**	**Total Precepts & Demands**	**118,482**	**290,778**	**409,260**
			Collection & Admin Costs			
-	707	707	Costs of Collection	-	711	711
-	18	18	BRS Administrative Costs	-	85	85
			Other Transfers to the General Fund			
-	76	76	Renewable Energy Schemes	-	78	78
			Contributions			
			Towards previous year's Collection Fund Surplus			
379	3,850	4,229	London Borough of Islington	669	2,707	3,376
99	4,721	4,820	Greater London Authority	174	2,173	2,347
-	4,262	4,262	Central Government	-	1,067	1,067
			Bad and Doubtful Debts / Appeals			
17	74	91	Current Year Write Offs	90	294	384
-	15,550	15,550	Appeals Provision	-	14,671	14,672
2,614	1,224	3,838	Allowance for Bad Debts Provisions	1,668	2,210	3,878
114,875	**321,892**	**436,767**	**Total Expenditure**	**121,083**	**314,774**	**435,857**
(490)	**2,651**	**2,161**	**(Surplus) / Deficit for the Year**	**(310)**	**(343)**	**(653)**

			Collection Fund Account Reserves			
(501)	(16,066)	(16,567)	(Surplus)/Deficit brought forward	(991)	(13,415)	(14,406)
(490)	2,651	2,161	(Surplus)/Deficit for the year	(310)	(343)	(653)
(991)	**(13,415)**	**(14,406)**	**Closing Collection Fund Balance**	**(1,301)**	**(13,758)**	**(15,059)**

			Current Share of (Surplus)/Deficit			
(787)	(7,486)	(8,273)	London Borough of Islington	(1,022)	(7,798)	(8,820)
(204)	(4,862)	(5,066)	Greater London Authority	(280)	(4,387)	(4,667)
-	(1,067)	(1,067)	Central Government	-	(1,572)	(1,572)
(991)	**(13,415)**	**(14,406)**	**Total (Surplus)/Deficit c/f**	**(1,302)**	**(13,757)**	**(15,059)**

Notes to the Collection Fund Statement

C1. Council Tax

Details of council tax are disclosed in full on the face of the Collection Fund Statement.
The 2019/20 council tax income is made up of following adjustments:

2018/19 £'000	Council Tax Income	2019/20 £'000
(165,962)	Gross Opening Charge	(174,642)
	Less: Adjustments	
9,972	Exemptions	11,851
60	Disabled Relief	67
14,447	Discounts	15,098
(2)	Other Adjustments	(4)
26,120	Council Tax Support	26,237
(115,365)	**Income collectable from Taxpayers**	**(121,393)**

The above discounts figure includes localised discounts £1017k; consisting of older person discounts £589k, shared living allowance £18k, careleavers allowance £302k and fostercare allowance of £108k, the costs of which are absorbed by Collection Fund. The £100 council tax discounts was awarded to Islington residents, where taxpayer or their partner was 65 or over on 1 April 2019 and are legally responsible for paying council tax at their property.

C2. Council Tax Base

In 2019/20, there were estimated net chargeable dwellings 101,936 (101,845 - 2018/19) residential properties in Islington which were placed in one of eight valuation bands depending on their capital value. The total for each bands are converted by use of appropriate multipliers and expressed in terms of number of band D equivalent dwellings to give a tax base.

The tax base for council tax setting purposes for Islington was 79,525 equivalent Band D properties, (78,176 - 2018/19) and this was used to cover the net expenditure of the authorities that precept the Collection Fund. The table below shows the number of properties in each band and the number of Band D equivalent properties. The 2019/20 band D equivalent council tax including precepts was £1,489.67.

Bands	2019/2 Actual Net Chargeable Dwellings as at 31/03/20 No. of dwellings	2019/20 Council Tax incl precepts £	2019/20 Net CTS of Chargeable dwellings at tax setting No. of dwellings	Proportion of Band D Charges %	2019/20 Band D Equivalent Dwellings at Tax Base for Tax Setting No. of dwellings	2018/19 Band D Equivalent Dwellings at Tax Base for Tax Setting No. of dwellings
A	1,681	993.11	1,394	66.7%	929	803
B	5,838	1,158.64	3,304	77.8%	2,570	2,548
C	28,629	1,324.15	17,787	88.9%	15,811	15,604
D	31,517	1,489.67	22,578	100.0%	22,578	22,088
E	17,616	1,820.70	13,708	122.2%	16,754	16,476
F	8,900	2,151.75	7,320	144.4%	10,573	10,407
G	6,857	2,482.78	6,137	166.7%	10,229	10,135
H	898	2,979.34	852	200.0%	1,704	1,710
Total	**101,936**		**73,080**			
Total Band D Equivalents Dwellings					**81,148**	**79,771**
Budgeted Collection Rate					98.00%	98.00%
Net Collection Rate Band D Equivalents Dwellings					**79,525**	**78,176**

C3. Non-domestic Rates (NDR).
Under the arrangements for uniform business rates, the council collects non-domestic rates for its area, which are based on local rateable values and multiplier set by the government. There are two multipliers. The small business non domestic rating multiplier for 2019/20 is 49.1p and the higher non-domestic rating multiplier is 50.4p.

After the introduction of Business Rates Retention Scheme back in April 2013, the national pool was removed, this allowed authorities, to retain a proportion of business rates and share the rests with precepting bodies. Local authorities, before the start of each financial year, are also required to estimate the amount of business rates anticipated to be collected and paid over to the precepting bodies, Central government and Greater London Authority, and retain its own share. Following the establishment of retention scheme and the success of 100% London pilot scheme, London boroughs, GLA and City of London Corporation along with the agreement from the government have formed a 75% retention pilot in 2019/20. It was agreed, 75% retention pilot would operate same basis as 2018/19 pilot however government would not provide a financial gurantee that authorities could not be worse off by participating. The City of Corporation was the lead authority for the pool and Islington council along with all other London boroughs, continue to paticipate in the scheme, as it still safeguard existing level of funding, the safety net, pooling agreement also included no authotrity can be worse off and joint participation with other authorities also would help to impove future policy/decision making.

As part of business rates retention scheme, council also had to finance appeals made in respect of rateable values as defined by the VOA and a provision for these amounts had been estimated in 2019/20.

The total non-domestic rateable value at 31 March 2020 was £717m (£717m at 31 March 2019, unchanged). The rateable values of the borough have increased significantly after the revaluation of all commercial properties in 2017 by the Valuation Office. The current net increase in NNDR income to £346m (£333m at 31 March 2019), reflects the increase in multipliers . However growth was partly offset by transitional protection arrangements, which limits the increase with a phasing over a period of 5 years.
The basis of the amount included in the Collection Fund is detailed below.

2018/19 £'000	Business Rates (NDR)	2019/20 £'000
(359,802)	**Gross rates and empty rates due at the end of the year**	(368,203)
	Less allowance and adjustments:	
7,746	NDR Payable in respect of previous years	7,725
18,381	Transitional Protection Payments	8,131
25,138	Mandatory Relief	26,078
6,510	Unoccupied Property Relief	12,169
2,422	Retail Relief	6,207
237	Small Business Rate Relief	7,019
116	Revaluation Relief	1,000
22	Supporting Small Business Relief	231
5,858	Pub Relief	1
1,288	Discretionary Relief	1,275
-	Interests	3
67,718	**Total Reliefs and Adjustments**	**69,839**
(292,084)	**Net Rates Payable After Reliefs and adjustments**	**(298,364)**
707	Costs of Collection	711
(18,381)	Transitional Protection Payments	(8,131)
76	Disregarded Renewable Energy	78
1,298	Losses in collection	2,504
15,550	Appeals Provision	14,671
(292,834)	**Actual Non Domestic Rating Income**	**(288,530)**

C4. Business Rates Supplement (BRS) - Crossrail.

The BRS was levied by GLA on non-domestic properties with a rateable value of £70,000 or more.
The aggregate rateable value of properties liable for BRS on 31 March 2020 was £531m (£533m at 31 March 2019). The multiplier for the year was 2.0p, giving a possible BRS income of £10.6m.
After allowable adjustments, the collectable income from BRS payers for 2019/20 was £8.622m (£8.776m in 2018/19). The £8.537m (£8.758m in 2018/19) payable to GLA is net of £0.085m collection costs and other adjustments retained by the council.

2018/19 £'000	Business Rates Supplement (Crossrail)	2019/20 £'000
(8,776)	**BRS Due At Year End**	**(8,622)**
	Less allowance and adjustments:	
-	Refund of overpayments	-
-	Losses in collection	67
0	**Total**	**67**
(8,776)	**Income due from Business Ratepayers**	**(8,555)**
18	Costs of Collection	18
(8,758)	**Total**	**(8,537)**

C5. Collection Fund Share of (Surplus)/Deficit

The surplus and deficits within the Collection Fund is shared between billing authorities and precepting bodies. The council Tax apportionment of net balance with the preceptor, Greater London Authority, is shared in the subsequent year, in accordance with tax base declaration. The final balance on NDR account is also paid in the following year, however, apportionment is fixed with the council precepting partners, Central government currently (25%), as part of 75% retention scheme, Greater London Authority (27%) and rest is retained by Islington (48%).

Pension Fund

Fund Account

2018/19 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2019/20 £'000	Note
	Contributions receivable		
24,721	Employer contributions	27,697	7a
10,128	Deficit recovery contributions	10,058	7a
12,127	Members contributions	12,970	7b
3,631	Transfers in from other pension funds	5,452	8
2,572	Other Income	2,647	9
53,180	**Total Income**	**58,824**	
	Benefits payable		
(47,273)	Pensions	(50,220)	10
(8,967)	Lump sum benefits	(10,217)	10
(7,466)	Payment to and on account of leavers	(6,450)	11
(63,707)	**Total Expenditure**	**(66,887)**	
(10,527)	**Net additions/ (withdrawals) from dealing with members**	**(8,063)**	
(2,937)	**Management Expenses**	**(3,275)**	**12**
(13,464)	**Net additions/ (withdrawals) including fund management expenses**	**(11,338)**	
	Returns on investments		
16,393	Investment income	17,948	13
66,385	Change in market value (realised & unrealised)	(24,534)	
82,779	**Total Returns on investments**	**(6,586)**	
	Net return on investments		
69,315	Net increase/decrease in fund in year	(17,924)	
1,307,421	**Opening net assets of the scheme**	**1,376,736**	
1,376,736	**Closing net assets of the scheme**	**1,358,812**	

Net Assets Statement

2018/19 £'000	Net Assets Statement for the year ended 31 March 2020	2019/20 £'000	Note
	Investments		
1,364,616	Investment assets	1,342,734	14
22,263	Other Investment and Cash	13,457	14
1,386,878	**Total Investments**	**1,356,191**	
	Current Assets and Liabilities		
3,545	Current assets	6,009	16
(13,688)	Current liabilities	(3,388)	17
1,376,736	**Net assets of the scheme at 31 March**	**1,358,812**	

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

Notes to the Pensions Account

1. Description of Fund

The principal purpose of the Islington council Pension Fund is to provide pensions for its employees (other than teachers who have their own national fund) under the Local Government Pension Scheme.

The Pension Fund is a defined benefit scheme administered by Islington council, built up from contributions paid by both employees and the council, together with interest and dividends received from the Fund's investments; out of which pensions and other benefits are paid. Government Regulations fix employees' contributions to the Fund and the extent of benefits paid out. An independent actuary assesses the council's contribution rate every three years.

a) General

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

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

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

Investment managers manage the investment portfolio. The fund has two private equity fund managers Pantheon Ventures (total commitment £39.2million) and Standard Life (total commitment £51 million). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £64.5 million). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £54 million) and Pantheon Access - £80.6 million. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 29). Islington council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who representing the shareholders will recommend the appointment directors to the company and receive reports from the company oversees it.

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

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

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

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

b) Membership

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

Organisations participating in the Islington Pension Fund include the following:

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

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

Administering Authority:	**Islington Council**
Scheduled Body	**Admitted Body**
• **St Mary Magdalene Academy**	• Volunteering Matters (formerly CSV)
• **City of London Academy, Islington**	• Camden & Islington NHS Foundation Trust
• **The New North Academy**	• Braithwaite
• **William Tyndale Community School**	• Pleydell
• **St Mary Magdalene Academy: the Courtyard**	• NCP Services (Islington South)
• **Tech City College (formerly Stem 6th)**	• SSE Contracting Ltd (Islington Lighting)
• **Elliot Foundation**	• Brunswick
• **Family School Academy**	• Southern Housing Group
• **The Bridge School**	• Caterlink
• **City of London Academy, Highbury Grove**	• Engie Services Ltd(Cofely Workplace Ltd)
• **City of London Academy, Highgate Hill**	• RM Education
• **The Bridge Satellite Provision**	• Breyer Group
• **The Bridge Integrated Learning Space**	• Mears Ltd
• **City of London Primary Academy, Islington**	• Greenwich Leisure Ltd
• **Clerkenwell Parochial CofE Primary School**	• W J Catering
• **Hungerford Primary School**	• Isledon Arts CIC
• **London Screen Academy**	• Pabulum
	• Alliance in Partnership
	• Bouygues ES FM UK Ltd.

c) Fund Membership

Membership of the Fund	Administering Body		Admitted Bodies		Scheduled Bodies		Totals	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	No's	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*	*No's*
Employees Contributing into the Fund	5,684	5,956	128	136	472	460	6,284	6,552
Pensioners	5,455	5,409	428	458	25	39	5,908	5,906
Widows/ Children's Pensions	1,026	914	51	49	5	5	1,082	968
Deferred Benefits	7,465	7,299	722	692	229	250	8,416	8,241
Totals	**19,630**	**19,578**	**1,329**	**1,335**	**731**	**754**	**21,690**	**21,667**

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

Employees' contributions ranging between 5.5% and 12.5% according to the annual earnings band an employee falls in.

Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2016, effective from 1 April 2017 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 19/20). In common with many other local authorities, the Pension Fund has a deficit. It was agreed with the actuary that the deficit on past service should be met by separate additional lump sum payments and recovered over twenty-two years. A lump sum contribution of £10.06m was made in 2019/20 (£10.13m in 2018/19) (a discounted amount due to payment in advance in April 2017).

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.

Contributions are invested and used for the benefit of the Pension Fund. The investment income in the form of dividends, interest and capital realisation is paid into the Fund.

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.

e) Benefits

i. Benefits provided by the scheme include:
Retirement pensions at normal retirement age.

Other Types of Retirement Pension:

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

ii. Lump sum payments on retirement or death in service.

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

i. A contributor who voluntarily leaves with less than two year's membership in the Scheme will receive a refund of their pension contributions unless they choose to transfer their pension out to another pension scheme. However, if the contributor was in the scheme before 1 April 2014, and leaves after then and have been in the scheme for three or more months but less than two years, they will have the choice of taking a refund of contributions, having a deferred pension or transferring their pension out to another pension scheme

ii. 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.

iii. Regulations permit the council to charge administration costs and the investment managers' fees to the Fund. Administration costs represent officers' salaries and other expenses for work on scheme administration and investment-related matters and central establishment and computer recharges. The fees paid to the investment managers are their charges for managing the investments of the Fund.

2. Basis of Preparation

The statement of accounts summarises the fund's transactions for the 2019/20 financial year and its positions as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 26 basis, is disclosed in Note 18 of these accounts.

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

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contributions

Normal contributions, both from employees and employers, are accounted for in the payroll month to which they relate at values specified in the rates and adjustments certificate. Additional contributions from employers are accounted for when received.

b) Transfers

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

- **Investment income** is recognised in the fund as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

- **Dividend Income** - Dividends have been accounted for on an accruals basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current asset.

- **Distributions from pooled funds** are recognised at the date of issue. Any amount not received by the end of the reporting period is recognised as a current financial asset in the net asset statement.

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

- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2020.

Fund Account – expense items

d) Benefits Payable

Benefits payable and refund of contributions are brought into the accounts on the basis of valid claims approved during the year. Under the rules of the Fund, retirees receive a lump sum retirement grant in respect of any membership up to 31 March 2009, in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose regarding the type or amount of benefit, then these lump sums are accounted for on an accruals basis from the date that the option is exercised. Other benefits are accounted for on the date the member leaves the Fund or on death.

e) Taxation

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

Input VAT is generally recoverable on all Fund activities.

f) Expenses

Regulations permit the council to charge administration costs and the investment managers' fees to the Fund.

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

All investment management expenses are accounted for an accrual basis.

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

All expenses are recognised on an accrual basis net of any recoverable VAT.

Net assets statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.

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

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads or single price where there are no bid/offer spreads as provided by the investment manager.

Managed funds and Unit trusts are valued at the price quoted by their respective managers on the last trading day of the year, which is determined by the market value of the underlying investments.

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

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

Derivatives
The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

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

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

Financial liabilities
A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. The fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the Change in Value of Investments.

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

Stock Lending
The fund does not participate in stock lending.

Additional Voluntary Contributions
Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016. Total contribution paid by members during 2019/20 amounted to £219k and the value of the fund as at 31 March 2020 was £1.467m.

Actuarial Position
The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay pensions and benefits that fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the statement by the actuary included in the annual report and these financial statements should be read in conjunction with it.

4. Critical Judgements in Applying Accounting Policies

The net pension fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and is in accordance with IAS 26.

COVID-19 Impact

The COVID-19 pandemic has negatively affected the value of the fund see note 18. We have a robust cash flow monitoring system, in line with revisiting the employers' contribution rates set by the actuary. A delay in the AVC fund statements has led to an estimated value; hence, these amounts are subject to change.

5. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations; however, actual outcomes could be different from the

assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits.	Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are in regard to the discount rate used, salary increase projections, and retirement age.	The effects on the net pension liability of changes in the individual assumptions can be measured. • A 0.5% p.a. decrease in discount rate would result in a pension liability increase of approximately 8% ~ £186m. • A 0.5% p.a. increase in salary increase rate would result in a pension liability increase of approximately <1% ~ £11m. • 0.5% p.a. increase in inflation / pension increase rate 8% increase ~ £186m. • A 1-year increase in member life expectancy would result in a pension liability increase of approximately 3% ~ £61m.
Private equity and Infrastructure investments	The Partnership's investments in Portfolio Partnerships are carried at fair value as determined in good faith by the General Partner in accordance with US GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Private equity and infrastructure investments are valued at £86.877m in the financial statements. These investments were valued as at the 31st March and may vary when the final audited valuations become available during the year. These assets have been predicted a sensitivity range of 6 – 11.7% by the performance analytics. (See note 27). The General Partner has considered the impact of the emergence and spread of COVID-19 and potential implications on future Partnership operations. There investments are therefore presented in the context of a material valuation uncertainty due to the factors mentioned. This consideration included, but is not limited to the liquidity of the Partnership including an assessment of the impact of a temporary reduction in income, no external debt held by the Partnership, the ability of the Partnership to draw down cash from investors in line with available undrawn commitments, which provides sufficient

		funds to cover operating expenses for at least the next 12 months, and business contingency plans to cope with sustained periods of remote working.
Property and Pooled Property funds	Valuation techniques are used to determine the carrying amount of pooled property funds. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The total Property Funds are £256.643m (including pooled property). These assets were valued as at 31st March 2020 Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by 7.40% (See note 27). Having engaged with the fund managers, it was reported that "As at the valuation date, they consider that less weight can be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means those funds faced with an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty'as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, it is recommended that the valuation of properties are kept under frequent review.
Diversified Growth Fund	Investments are valued as frequently as possible based on the price frequency of the underlying assets. For listed or exchange-traded instruments including derivatives, this is normally daily. For Fixed Income securities and OTC derivatives, this is also normally daily. For 3rd party funds (including Hedge funds; Private Equity funds; and Real Estate funds) monthly or quarterly valuations are more common. Care is taken to ensure the most up to date price at the valuation date is used at the time each valuation report is created.	As at 31st March, the total valuation of the fund was £106.2m. The Schroder UK Real Estate Fund holding was 4.8%. As at 31st March 2020, RICS (Royal Institute of Chartered Surveyors) have advised there is currently material valuation uncertainty of UK Real Estate Funds due to market conditions.

6. Events After the Reporting Date

There have been no adjusting events after the reporting date that would have a material impact on these financial statements however, non-adjusting events are detailed below:

Non-adjusting event – COVID-19

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in all sectors by the efforts and restrictions being made to reduce the spread of the virus.

There have been a number of material factors which make it difficult to quantify what the outcome could be on financial markets; How long will the pandemic last? Will there be a second flare-up? How deep will its economic impacts be? There has been unprecedented government support through stimulus policies including support via the furlough scheme, central banks have reacted by immediately reducing the base rate and have embarked on substantial asset purchase programs. Both the short and long-term implications of the shut-down and the affect it will have on companies remain uncertain and longer-term performance will ultimately be impacted by how long the recovery takes.

For a pension scheme, a non-adjusting event could be the significant decline in the value of investments. As a result of Covid-19, the future investment values may be more volatile, at least over the short to medium term, until a vaccine or other successful cure is found for Covid-19. However, to date, although there has been significant variation to individual fund values (both upwards and downwards), as at the end of September 2020 the investments are valued overall at £1.548bn, a higher value than were at 31 March 2020 (in these financial statements).

With regards to the Fund’s Level 3 investments, these are well diversified between sectors and also vintage year (year in which first influx of investment capital is delivered to a project or company) meaning that there will be a wide dispersion between the potential valuation effects. Some of the underlying Level 3 investment assets could have seen positive uplifts to their valuations (e.g. broadband\telecommunications infrastructure providers) as well as those which will have seen negative (e.g. transport sectors due to short-term demand shocks).

In April 2020, the Pension fund was paid £26.9m, which is the 3 years advance deficit lump sum.

7. Contributions Receivable

a) Employers' Contributions

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

Contributions receivable - Employers' contributions	Normal Contributions		Special Contributions		Strain Recovery*	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	31,877	34,347	-	-	702	768
Scheduled Bodies						
St Mary Magdalene Academy	199	218	-	-	-	-
City of London Academy	154	150	-	-	-	-
The New North Academy	97	95	-	-	-	-
William Tyndale School	104	111	-	-	-	-
The Courtyard School	19	18	-	-	-	-
Tech City (Stem 6th form Academy)	14	7	-	-	-	-
Elliot Foundation	105	147	-	-	-	-
The Bridge School	454	447	-	-	-	11
The Bridge Integrated Learning Space	39	53	-	-	-	-
Family School Academy	16	14	-	-	-	-
City of London Academy Highbury Grove	283	285	-	-	-	-
City of London Academy, Highgate Hill	61	101	-	-	-	-
The Bridge Satellite Provision	15	24	-	-	-	-
City of London Primary Academy, Islington	9	15	-	-	-	-
Clerkenwell Parochial Academy	77	96	-	-	-	-
Hungerford School	108	76	-	-	-	15
London Screen Academy	-	16	-	-	-	-
Sub-Total Scheduled Bodies	**1,751**	**1,873**				**26**
Admitted bodies						
Volunteering Matters(CSV)	154	160	-	-	-	-
Camden & Islington NHS Foundation Trust	81	70	-	-	-	-
Braithwaite	5	5	-	-	-	-
Pleydell	15	16	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	12	13	-	-	-	-
Brunswick	17	28	-	-	-	-
Southern Housing Group	8	5	-	-	-	-
Caterlink	157	184	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	108	110	-	-	-	-
R M Education	(205)	-	-	-	-	-
Breyer Group	5	4	-	-	-	-
Mears Ltd	31	32	-	-	-	-
Greenwich Leisure Ltd	77	69	-	-	-	-
WJ Catering	2	3	-	-	-	-
Isledon Arts CIC	8	8	-	-	6	-
Pabulum	3	3	-	-	-	-
Alliance In Partnership	21	22	-	-	-	-
Bouyges ES FM UK Ltd.	14	9	-	-	-	-
Sub-Total Admitted Bodies	**514**	**741**			**6**	**-**
Totals	**34,142**	**36,961**	**0**	**0**	**707**	**794**

*Note 15 provides further information regarding "Strain Recovery"

b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions)	
	2018/19	2019/20
	£'000	£'000
Administering Authority		
Islington Council	11,245	12,048
Scheduled Bodies		
St Mary Magdalene	99	105
City of London Academy	71	67
The New North Academy	35	31
William Tyndale School	30	31
The Courtyard School	13	12
Tech City (Stem 6th form Academy)	10	4
Elliot Foundation	106	135
The Bridge School	146	140
The Bridge Integrated Learning Space	23	31
Family School Academy	7	7
City of London Academy Highbury Grove	70	76
City of London Academy, Highgate Hill	30	38
The Bridge Satellite Provision	7	11
City of London Primary Academy, Islington	9	8
Clerkenwell Parochial academy	15	13
Hungerford School	27	25
London Screen Academy	-	5
Sub-Total Scheduled Bodies	**698**	**739**
Admitted bodies		
Volunteering Matters (CSV)	0	-
Camden & Islington NHS Foundation Trust	11	7
Braithwaite	2	2
Pleydell	6	6
NCP Services (Islington South)	8	6
SSE Contracting Ltd (Islington Lighting)	4	5
Brunswick	5	8
Southern Housing Group	2	1
Caterlink	50	54
Engie Ltd (Cofely Workplace Ltd)	36	36
R M Education	1	-
Breyer Group	2	4
Mears Ltd	9	9
Greenwich Leisure Ltd	30	28
WJ Catering	1	1
Isledon ArtsCIC	3	3
Pabulum	1	1
Alliance In Partnership	9	9
Bouyges ES FM UK Ltd.	4	3
Sub-Total Admitted Bodies	**184**	**183**
Totals	**12,127**	**12,970**

8. Transfers In

2018/19 £'000	Transfers in	2019/20 £'000
-	Group transfers in from other schemes	-
3,631	Individual transfers in from other schemes	5,452
3,631	**Total transfers in**	**5,452**

9. Other Income

2018/19 £'000	Pension Recharges and Miscellaneous Fees and Charges	2019/20 £'000
-	Income from Other Investments	-
-	Interest	-
2,572	Other	2,647
2,572	**Total other income**	**2,647**

Other income are amounts other than contributions and investment income.

10. Benefits

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

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	43,903	46,653	6,879	8,550	1,487	958
Scheduled Bodies						
St Mary Magdalene Academy	25	25	-	-	-	-
City of London Academy	40	61	27	107	93	-
The New North Academy	9	12	-	66	-	-
William Tyndale School	20	24	-	25	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	1	2	8	7	-	-
Elliot Foundation	0.21	-	-	-	-	-
The Bridge School	-	2	-	12	-	-
City of London Academy Highbury Grove	-	4	-	-	-	-
City of London Primary Academy, Islington	-	-	-	-	-	-
Hungerford School	-	8		54	-	-
Sub-Total Scheduled Bodies	**100**	**143**	**36**	**271**	**93**	**-**
Volunteering Matters (CSV)	1,238	1,287	251	153	24	13
Aquaterra	240	227	65	-	-	-
CEA	831	851	-	-	-	-
FSST	3	4	-	-	-	-
Kier Islington Ltd (Caxton)	578	588	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	70	72	-	-	-	-
ALA	20	21	-	-	-	-
Notting Hill Trust	8	22	-	19	-	-
Camden & Islington NHS Foundation Trust	59	89	36	78	-	-
Pleydell	-	6	-	89	-	-
SSE Contracting Ltd (Islington Lighting)	54	55	-	-	-	-
Brunswick	9	10	-	-	-	-
Southern Housing Group	-	3		8	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	32	33	-	-	-	-
London Property Maintenance	0	-	-	-	-	-
Caterlink	18	20	5	14	-	-
Engie Ltd (Balfour Beatty)	24	28	32	17	-	-
Kier Support Services	20	20	-	-	-	-
Breyers	-	12	-	47	-	-
Mears	16	16	-	-	-	-

Greenwich Leisure Ltd	22	22	-	-	-	-
WJ Catering	12	23	57	-	-	-
Isledon Arts CIC	1	-	2	-	-	-
Alliance In Partnership	2	3	-	-	-	-
Sub-total Admitted Bodies	**3,271**	**3,424**	**449**	**425**	**24**	**13**
Totals	**47,274**	**50,220**	**7,364**	**9,246**	**1,604**	**971**

11. Payments to and on Account of Leavers

2018/19 £'000	Payment to and on Account of Leavers	2019/20 £'000
193	Refunds of Contributions	171
7,273	Individual Transfer	6,279
7,466	**Total payments to and on account of leavers**	**6,450**

12. Management Expenses

2018/19 £'000	Management Expenses	2019/20 £'000
1,324	Administrative Cost (12a)	1,286
1214	Investment Management Expenses (12b)	1,317
400	Oversight and Governance Cost (12c)	672
2,937	**Total Management Expenses**	**3,275**

12(a) Administrative Expenses

2018/19 £'000	Administrative expenses	2019/20 £'000
898	Employee Cost	967
426	Support services	319
1,324	**Total administrative expenses**	**1,286**

12(b) Investment Expenses

2018/19 £'000	Investment Expenses	2019/20 £'000
1,181	Management Fees	1,278
33	Custody Fees	39
1,214	**Total investment management expenses**	**1,317**

12(c) Oversight and Governance Cost

2018/19 £'000	Oversight & Governance Cost	2019/20 £'000
25	Performance Management Services	35
313	Advisory Services Fees	384
21	Operation and Support	133
25	Actuarial Fees	90
16	Audit Fees	25
-	Legal Fees	5
400	**Total Oversight & Governance Cost**	**672**

13. Income from Investments

2018/19 £'000	Investment Income	2019/20 £'000
7,229	Dividends from equities	7,073
5,791	Income from other investments vehicles	6,349
3,356	Net rents from pooled investment properties	4,488
17	Interest on cash deposits	38
16,393	**Total Investment income**	**17,948**
-	Irrecoverable withholding tax	-
16,393	**Total Investment income**	**17,948**

14. Investments

Investments	Market value 01 Apr 19	Purchases at cost and derivative payments	Sale proceeds and derivative receipts	Change in market value	Value as at 31 Mar 20
	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	78	-	-	(3)	75
Indexed linked securities	125	-	-	(10)	115
Equities	162,915	-	(4,412)	(35,517)	122,986
Pooled investment vehicles (P.I.V)	874,177	136,341	(137,425)	2,945	876,038
Properties - P.I.V	260,677	4,560	(10,190)	1,596	256,643
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total	**1,364,616**	**161,924**	**(159,272)**	**(24,534)**	**1,342,734**
Other Investment & Cash	22,263				13,457
Total Investments	**1,386,879**				**1,356,191**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year including profits and losses realised on sales of investments during the year. Investments are now valued at bid price.

	£'000	£'000	£'000	£'000	£'000
Fixed interest securities	80	-	-	(2)	78
Indexed linked securities	125	-	-	-	125
Equities	163,729	-	(4,879)	4,065	162,915
Pooled investment vehicles (P.I.V)	934,079	5,798	(111,190)	45,490	874,177
Properties - P.I.V	195,601	65,433	(11,590)	11,233	260,677
Private Equity - P.I.V	26,287	619	(7,360)	7,887	27,433
Infrastructure - PIV	-	61,397	(19,899)	(2,287)	39,211
Total	**1,319,901**	**133,247**	**(154,918)**	**66,386**	**1,364,616**
Other Investment & Cash	14,084				22,263
Total Investments	**133,985**				**1,386,879**

14(a)

Investment Assets by Type		2018/19 £'000	2019/20 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		78	75
Total Fixed interest securities		**78**	**75**
Index -linked			
UK public sector quoted		125	115
Total Index -linked		**125**	**115**
Equities (valued at Bid Price)			
UK quoted		125,805	97,759
Overseas quoted		37,111	25,227
Total Equities		**162,916**	**122,986**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	117,187	111,742
	Other : Bond	157,775	155,012
Overseas Managed Funds	Other : Equity	162,254	150,026
	Property	25,781	20,119
	Other : Private Equity	27,433	23,342
UK Unit trusts (valued at Bid Price)	Property	117,709	124,782
	Other	554,147	571,000
Infrastructure Investment		39,211	63,535
Total Pooled investment vehicles		**1,201,497**	**1,219,558**
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		2,058	1,292
Cash deposits : Sterling		9,913	11,557
Cash deposits : Other		10,293	608
Total Other investment balances		**22,263**	**13,457**
Total Investment Assets		**1,386,879**	**1,356,191**

Type of future	Expiration	Market Value	Market Value
UK FTSE exchange traded	Less than 1 year	-	-
UK gilt exchange traded	Less than 1 year	-	-
Total		**0**	**0**

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

15. Investments exceeding 5% of net assets

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

Security	Market value 31 March 2020 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
LBI Self-Managed UK quoted	97,760	7.2%	125,805	9.1%
London CIV Pooled - Newton MSCI All Country World	211,891	15.6%	218,049	15.8%
London CIV Pooled Allianz MSCI World	0	0.0%	118,596	8.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	155,012	11.4%	157,775	11.5%
Aviva Lime Property UK Unit Trust	124,782	9.2%	117,709	8.5%
Threadneedle Pooled Investment Property AREF IPD All Balanced	82,680	6.1%	88,673	6.4%
Legal & General Pooled Investment Vehicle	150,026	11.0%	162,254	11.8%
Schroders Pooled Investment Multi Asset	106,480	7.8%	113,648	8.3%
LGIM Pooled Investment Managed Funds	75,839	5.6%	22,471	1.6%
BMO Pooled Investment MSCI Emmerging Market	59,902	4.4%	76,207	5.5%
London CIV RBC EQ RBC Bmk	112,364	8.3%	0	0.0%

16. Current Assets

2018/19 £'000	Current Assets	2019/20 £'000
706	Contributions due from Employers & Employee	1,884
46	Sundry Debtors	87
2793	Cash Balances	4,038
3,545	**Total**	**6,009**

17. Current Liabilities

2018/19 £'000	Current Liabilities	2019/20 £'000
(930)	Accrued Benefits	(1,049)
(480)	Sundry Creditors	(638)
(8,863)	Receipt in Advance	-
(3,415)	Accrued Expenses	(1,701)
(13,688)	**Total Current liabilities**	**(3,388)**
2018/19 £'000	**Non-Current Liabilities**	**2019/20 £'000**
-	Receipt in Advance	-
0	**Total Non-Current Liabilities**	**0**
(13,688)	**Total Liabilities**	**(3,388)**

18. Actuarial Postion

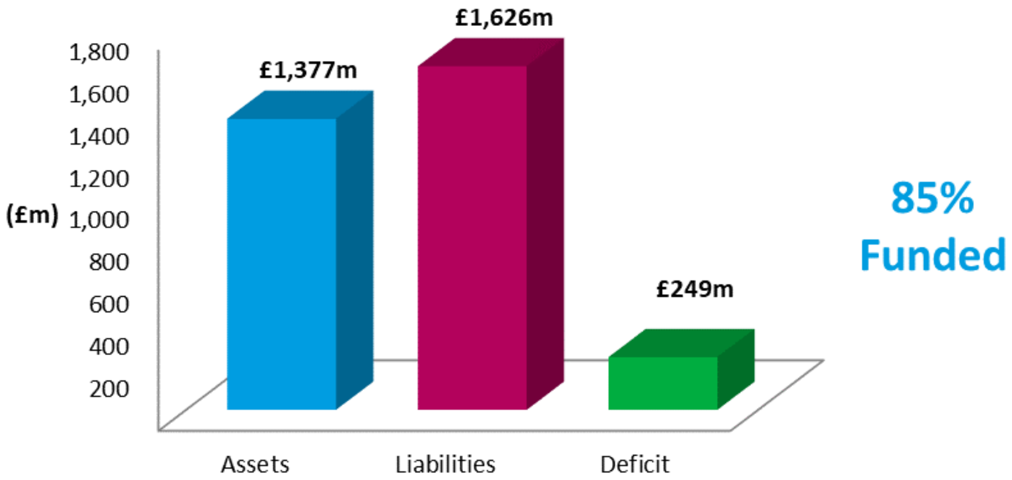
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - STATEMENT BY THE CONSULTING ACTUARY

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

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

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



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

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.
The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £5.5m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this is predominantly paid in year one with surplus off-sets applying in the subsequent two years.

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

In practice, each individual employer’s position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers
The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation

of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £6 million and an increase in the Primary Contribution rate of 0.6% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate of £5.5 million per annum shown above).

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

19. Actuarial Present Value of Promised Retirement Benfits for the Purpose of IAS 26

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

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

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,295 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£55 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£24 million (this includes any increase in liabilities arising as a result of early retirements and and GMP indexation – see comments elsewhere in this statement).

There was also a decrease in liabilities of £133 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,241 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £10 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

20. Additional Voluntary Contributions

These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2018/19 *Market Value* *£'000*	Additional Voluntary Contribution	2019/20 *Market Value* *£'000*
1,237	Prudential	1,164
215	Utmost (formerly Equitable life)	222
87	Phoenix Life (formerly NPI)	81
1,539	**Total Additional Voluntary Contributions**	**1,467**

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2019/20.

22. Contractual Commitments

The fund has outstanding commitments totalling £93.5m as at 31 March 2020. Two private equity fund managers Pantheon Ventures £4.47m and Standard Life £5.25m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £12.20m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £13.64m and £57.9m respectively.

23. Related Parties

Islington Pension Fund is administered by Islington council. As at 31 March 2020, the Pension Fund is due from the Islington council £0.320m (£11.7m~31 March 2019). Full contributions from the council for the year are disclosed in Note 2.

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

24. Key Management Personnel

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

2018/20 *£'000*		2019/20 *£'000*
(50)	Short-term benefits	(50)
(10)	Post-employment benefits	(5)
(60)		**(55)**

25. Risk and Risk Management

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

Market Risks

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

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

26(a) Price and Currency Risk

Price and currency risk can be quantified by observing the potential market movement on the riskier assets and possible change in valuation.

Price risk

Price Risk	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	141,568	14.20%	161,609	121,528
Overseas Equities	521,700	11.70%	582,732	460,667
Total Bonds	155,012	5.70%	163,876	146,148
Pooled Multi Asset	106,480	6.70%	113,616	99,343
Cash	87,912	1.00%	88,756	87,068
Property	256,643	1.90%	261,621	251,665
Infrastructure	63,535	6.00%	67,333	59,736
Private Equity	23,341	11.70%	26,066	20,617
Total Assets	**1,356,191**	**6.00%**	**1,437,628**	**1,274,755**

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

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

Currency risk

Currency Risk(by asset class)	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	521,700	7.40%	560,057	483,342
Overseas Private Equity	23,342	7.40%	25,058	21,625
Overseas Infrastructure	63,535	7.40%	68,206	58,864
Overseas property	20,119	7.40%	21,598	18,640
Total Assets	**628,695**	7.40%	**674,920**	**582,471**

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

26(b) Interest rate risk

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

Interest rate – risk sensitivity analysis

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

Assets Exposed to interest rate risk	Value at 31 March 2020 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	17,540	17,365	17,715
Fixed interest securities	75	74	76
Total	**17,615**	**17,439**	**17,791**

Assets Exposed to interest rate risk	Value at 31 March 2019 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,056	24,805	25,307
Fixed interest securities	78	77	79
Total	**25,134**	**24,882**	**25,385**

26(c) Credit Risk

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

26(d) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Committee monitors cash flows and takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings. The Fund defines liquid assets as assets that can be converted to cash within three months, subject to normal market conditions. As at 31 March 2020, liquid assets were £1,269m representing 94% of total fund assets (£1,320m at 31 March 2019 representing 95% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, which gives access to cash dividend income on a regular basis.

27.Financial Instruments

The following table provides an analysis of the financial assets and liabilities of Pension Fund grouped into Level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2020	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	129,892	1,139,422	86,877	1,356,191
Loans and Receivables	4,038	1,971	-	6,009
Total Financial Assets	**133,930**	**1,141,393**	**86,877**	**1,362,200**
Financial Liabilities				
Financial liabilities at amortised cost	-	(3,388)	-	(3,388)
Total Financial Liabilities	**-**	**(3,388)**	**-**	**(3,388)**
Net Financial Assets	**133,930**	**1,138,005**	**86,877**	**1,358,812**

Values at 31 March 2019	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable inputs Level 3	Total
Financial Assets				
Financial assets at fair value through profit and loss	169,809	1,150,426	66,644	1,386,879
Loans and Receivables	2,793	752		3,545
Total Financial Assets	**172,602**	**1,151,178**	**66,644**	**1,390,424**
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
Total Financial Liabilities	**-**	**(13,688)**	**-**	**(13,688)**
Net Financial Assets	**172,602**	**1,137,490**	**66,644**	**1,376,736**

Valuation of financial instruments carried a fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Pooled funds are pooled fund with other institutions and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level I.

Level 2

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

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which The Islington council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December Cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.

27(a) Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2019 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2020 £'000
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total Level 3 Assets	**66,644**	**21,023**	**(7,245)**	**6,455**	**86,877**

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

In measuring the level 3 investments it is possible that one or more of the inputs could change, by the valuing manager, to acceptable alternative assumptions. Different earnings multiple could be used for a comparable company or industry sector for example. Whilst these changes could have a significant change in valuation, that individual change will not necessarily apply to other investments. A sensitivity analysis on the whole portfolio or class will be inappropriate. Islington does not have a large portfolio of alternatives classed under level 3 and a change in valuation of one underlying investment will not have a significant impact on the whole portfolio.

28. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2018/19 £'000	2019/20 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	125,805	97,760
Overseas quoted - LBI self-managed	37,111	25,227
CASH DEPOSITS		
Sterling	2,625	4,182
Other	9,808	600
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,571	1,021
FIXED INTEREST		
UK	78	75
INDEX-LINKED		
UK	125	115
POOLED FUNDS		
UK	5,177	4,524
Total LBI In House Fund	**182,300**	**133,504**
Newton - London CIV		
POOLED FUNDS		
UK quoted	218,049	211,891
CASH DEPOSITS		
Sterling	109	92
Other	477	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	390	271
Total Newton	**219,025**	**212,254**
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	118,596	0
CASH DEPOSITS		
Sterling	284	376
Other	8	9
OTHER INVESTMENT BALANCES		
Outstanding Dividends	97	
Total RCM	**118,985**	**385**

Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	157,775	155,012
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	9,174	7,001
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	18,258	16,340
Aviva Lime Property		
UK UNIT TRUSTS		
Property	117,709	124,782
Threadneedle Pensions		
POOLED INVESTMENT: Property	88,673	82,680
Thesis		
POOLED INVESTMENT: Property	28,514	29,062
BNY Mellon		
CASH DEPOSITS : Sterling	6,894	6,906
outstanding fx trades		
Total BNY Mellon	**6,894**	**6,906**
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	162,254	150,026
Franklin Templeton		
Pooled Investment Global Property	25,781	20,119
Schroders		
Pooled Investment Multi Asset	113,648	106,480
BMO		
Pooled Investment Managed Funds	76,207	59,902
LGIM		
Pooled Investment Managed Funds	22,471	75,839
Pantheon Infrastructure		
Infrastructure	16,500	21,741
Quinbrook Infrastructure		
Infrastructure	22,711	41,794
RBC/ LONDON CIV		
POOLED FUNDS		
	0	112,364
Total Investment Assets	**1,386,789**	**1,356,191**

Glossary of Financial Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

council tax: A tax on domestic property values.

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

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

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

Deferred Capital Receipts: This refers to income of a capital nature that will be received in future accounting periods. A corresponding debtor normally offsets it; for example, receipts related to mortgages made by the council.

Deferred Credits: Income of a revenue nature received in advance.

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

Depreciation:
A provision made in the accounts to reflect the value of assets used during the year e.g. a vehicle purchased for £10,000 with a life of five years would depreciate on a straight line basis at the rate of £2,000 p.a. Depreciation forms part of the "capital charge" now made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

Direct Expenses: Expenditure on employees or running costs that are directly controlled by the service involved.

Direct Revenue Financing (DRF): The use of revenue monies to pay for capital expenditure, also known as Revenue Contributions to Capital Outlay.

Disposals: Sales of council's assets - see Capital Receipts.

Emoluments: All sums paid to or receivable by an employee including the money value of any other benefit received other than in cash.

External Auditors: The auditor appointed via the PSAA to carry out an audit of the council's accounts. Currently this is Grant Thornton UK LLP, who has responsibilities to ensure that:

- The council's accounts are prepared in compliance with applicable statutory provisions;
- The council has complied with the Service Reporting Code of Practice (SeRCOP);
- The council has observed proper accounting practices in compiling the accounts;
- The council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Revaluation Reserve Account: Represents principally the balance of surpluses or deficits arising on periodic revaluation of fixed assets.

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

Heritage Assets: A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

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

Housing Revenue Account (HRA): A statutory account that contains all expenditure and income on the provision of council Housing for rent. The HRA is a ring-fenced account within the General Fund. Local authorities are not allowed to make up any deficit on the HRA from its own resources.

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

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

Intangible Assets: An intangible item, such as software licences and development expenditure, may meet the definition of an asset when the council controls access to the future economic benefits that it represents.

Leases: Certain types of leasing arrangements are not treated as capital expenditure and the council can use them to lease computer equipment and vehicles without the costs having to be met from capital resources such as borrowing. They are known as "operating leases", but the council must also consider the cost of future "leasing charges". This benefit does not apply to "finance leases" where ownership transfers to the lessee.

Leasing Charges: The annual rental payments on items such as vehicles and computers that have been leased by the council.

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

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

Members' Allowances: Payments to councillors, authorised by law, in respect of the costs incurred in carrying out their duties as elected representatives.

Minimum Revenue Provision: The minimum amount, which the council must charge to the General Fund in the year, in respect of the repayment of principal of borrowing for capital purposes. The minimum provision is currently expressed as 4% of the council's General Fund capital financing requirement.

Non-Domestic Rates (NDR): The rates paid by businesses. The amount paid is based on a rateable value set by the Inland Revenue multiplied by a national rate in the £ set by the government.

Preceptor: Preceptors are other authorities who get their income from the billing authorities in their area. In London there is now a single preceptor, the Greater London Authority (GLA).
The Greater London Authority and its component bodies calculate their total spending needs for the year and the GLA sets its council tax in the same way as a London Borough. Each billing authority then collects their tax for them.

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

Prudential Code: This is new system, which plays a key role in capital finance and came into effect on 1 April 2004. It provides local authorities the financial freedom to borrow, provided that such borrowing is prudent, affordable and sustainable.

Rateable Value: The value of a property for rating purposes. The Inland Revenue sets rateable values. The rates payable by an individual business, are calculated by multiplying the rateable value of the property by the rate in the £ set by the government.

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

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

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

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

Revenue Expenditure Funded from Capital Under Statute (REFCUS): – Expenditure which would otherwise have been classified as revenue, but which was classified as capital expenditure for control purposes. It includes items such as financial assistance towards capital investment incurred by other parties, works on properties not owned by the authority and any amounts specifically directed by the Secretary of State for individual authorities.

Revenue Support Grant: The main grant payable to support local authority revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure, and income from NDR and council tax so that, if all local authorities spent in line council tax, would be the same throughout the country.

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

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

Support Service: A service provided for other Service Heads within the council rather than direct to the public, including payroll, computing, central personnel and legal services.

Supported Capital Expenditure: Allocations from the government under the new Prudential Code that replaces the previous system of credit approvals. These allocations enable services to borrow to fund capital schemes, and they will receive revenue funding to pay for the borrowing costs.

Trading Accounts: The profit and loss account of any trading organisation required to be disclosed separately in the council's accounts.

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

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

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

Unsupported Borrowing: Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.

Usable Capital Receipts: The proportion of capital receipts which the council is able to use for capital spending purposes and which is not required to set aside to redeem debt.

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

Accounts Index