Islington Council
Statement of Accounts 2020/21

Contents

Introduction by the Chief Financial Officer

I have great pleasure in presenting the Statement of Accounts for the year ended 31 March 2021. 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

Outwith wartime, COVID-19 has caused the largest shock to the global economy on record, with severe restrictions put in place across huge swathes of economic and social activities. Rather than a one-off event that hit the council's budget, it is expected that COVID-19 will continue to have a significant impact on the council's medium-term budget and that of the economy overall.

These accounts include significant additional direct funding from the Government, which supported the organisation during the height of the pandemic by meeting most of the additional costs and lost income that were experienced by the organisation. An impact of this has been that the year end position reflects aspects of the early advancement of support from Government. In a number of cases the impact of this support is that these are held in reserves at year end to be deployed in 2021/22 to support services and in reality is simply advanced cashflow.

There were residual unfunded costs of the pandemic which the Council must stand and when taken with the ongoing financial impact of the pandemic, highlights the need for strengthening our financial resilience. We continue to do so through our budget setting process.

Aside from direct financial support, further funding support came in different guises. For example, there was also funding support to business impacted by the pandemic, which flowed through the Council acting as an agent to ensure businesses received help with their business rates or financial support during period of lock down. There were many other initiatives the Council was at the heart of, including operating emergency food hubs, supporting the care market, providing Covid safe home to school transport and applying a £150 discount from council tax for those entitled to claim local council tax support.

The COVID-19 crisis has had a massive impact on the council's work, and how it supports and delivers its services to residents and local people. While supporting residents hardest hit by the pandemic, the council remains determined to make Islington a fairer place for all, so that:

- Everyone has a decent, genuinely affordable place to call home;
- Everyone feels safe and does their bit to keep others safe too;
- We build and support a thriving local economy that works for everyone, offering jobs and opportunities for local people; and
- Everyone can enjoy a cleaner, greener, healthier future.

This year's Public Inspection of the Accounts period ran from the 2nd of August 2021 to the 13th of September 2021 inclusive. Further details are available from our website.

David Hodgkinson
Corporate Director of Resources
11 November 2021

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of the London Borough of Islington (the 'Authority') for the year ended 31 March 2021, 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

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 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Corporate Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director of Resources and Those Charged with Governance for the financial statements' section of this report.

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 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 the 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 in April 2020 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 '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 matters 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, the other information published together with the 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 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 of Resources and Those Charged with Governance for the financial statements

As explained 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 2020/21, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, Local Government and Housing Act 1989, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Audit Committee and Audit Committee (Advisory) concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers and the Audit Committee and Audit Committee (Advisory) whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journal entries made during the year which met a range of criteria during the course of the audit, and
  - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the valuation of the net defined benefit pensions liability.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Corporate Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on testing entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed noncompliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, including council dwellings and investment properties, and the valuation of the net defined benefit pensions liability.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA/LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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

We cannot formally conclude the audit and issue an audit certificate for the London Borough of Islington for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021,
- our consideration of an objection brought to our attention by a local authority elector undersection 27 of the Local Audit and Accountability Act 2014.

In addition, 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 2021. 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 are satisfied that these matters do not have a material effect on the financial statements for the year ended 31 March 2021.

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
2 February 2022

Independent auditor's report to the members of the London Borough of Islington on the pension fund financial statements of the 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 2021 which comprise the 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 2020/21.

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 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporate Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

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 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporate Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Corporate Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Corporate Director of Resources and Those Charged with Governance for the financial statements' section of this report.

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 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 the 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 (2020) 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, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

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

- we 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 in relation to the Pension Fund**.**

Responsibilities of the Authority, the Corporate Director of 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 2020/21, 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 for the Pension Fund. 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).
The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- We enquired of senior officers and the Audit Committee and Audit Committee (Advisory), concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers and the Audit Committee and Audit Committee (Advisory) whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journal entries made during the year which met a range of criteria during the course of the audit, and
  - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of investments and liabilities in the Net assets statement.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Corporate Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on testing entries meeting the risk criteria determined by the audit team;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and the actuarial present value of promised retirement benefits;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations included the potential for fraud in revenue and expenditure recognition and the significant accounting estimates related to the valuation of level 3 investments and the actuarial present value of promised retirement benefits
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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
2 February 2022

Narrative Report to the Statement of Accounts and Summary of the Council's Financial Performance in the Year 2020/21

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 2021, in particular what it owns versus what it owes.
- Cash Flow Statement - illustrates the council's total cash transactions in the financial year, split between revenue expenditure (day-to-day expenditure), capital expenditure (long-term investment in assets) and financing transactions (how we pay for the expenditure).

The supplementary financial statements applicable to Islington council comprise:

- Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance – transactions relating to council dwellings.
- Collection Fund – receipts and payments relating to council tax and business rates.
- The Pension Fund Account and amounts attributable to trust funds are shown separately because they are not part of the council's single entity accounts. For the Pension Fund administered by Islington council, these include:
    - Fund Account - a summary of the resources generated and consumed by the fund in the year
    - Net Assets Statement - shows the Pension Fund's financial position as at 31 March 2021

The Expenditure and Funding Analysis (Note 11) gives a clear link between in-year reporting of financial performance and the final outturn set out in the core financial statements.
In common with most other local authorities, the Pension Fund has a deficit. The council asks an independent actuary to review the Pension Fund's position triennially and advise how to set the contributions to the Pension. Fund to address the deficit. Such a review took place in 2019/20. More information can be found in the Pension Fund Account pages.

General Fund Outturn 2020/21

Overall, there was a balanced General Fund position. Within this, there was a COVID-19 budget overspend of (+£36.5m) across GF council services after the application of service specific grant funding. This was fully balanced by:

- General (un-ring-fenced) COVID-19 government grant received in 2020/21;
- The estimated full year claim under the government's partial compensation scheme for sales, fees and charges losses; and
- The delivery of underspends elsewhere in the base budget.

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	152,417	(77,537)	74,880	72,925	1,955
People - Children, Employment and Skills (excluding Schools)	202,291	(127,174)	75,117	71,513	3,604
Schools	209,647	(272,715)	(63,068)	(64,168)	1,100
Environment and Regeneration	109,356	(77,813)	31,543	13,370	18,173
Housing	42,742	(22,790)	19,952	19,952	-
Public Health	32,183	(39,329)	(7,146)	(7,146)	-
Central Services					
Chief Executive	9,662	(4,280)	5,382	5,017	365
Resources	229,632	(187,403)	42,229	40,909	1,320
Corporate Items					
Corporate items (including contingency)	119,605	(262,035)	(142,430)	(152,373)	9,943
Application of COVID-19 grant	-	(18,359)	(18,359)	-	(18,359)
SFC Compensation (Estimate)	-	(17,001)	(17,001)	-	(17,001)
General Fund Variance (before outturn transfer to Budget Strategy reserve)	**1,107,535**	**(1,106,436)**	**1,099**	**(1)**	**1,100**
Net General Fund Variance	**1,107,535**	**(1,106,436)**	**1,099**	**(1)**	**1,100**
Transfer to General Fund Balances (excluding schools)	-	-	-	-	-
Transfer to/(from) Schools Balances	-	-	1,100	-	1,100
Total					**1,100**

Departmental income and expenditure (including HRA)	Over / (Under) £'000
General Fund over/(under) spend for the year (including schools)	1,100
Housing Revenue Account over/(under) spend for the year	(0)
Net expenditure	**1,100**

The two tables above have been prepared on an IFRS basis except for the corporate line which has statutory adjustments and transfer to earmarked reserves. This thus makes the "Net Expenditure in the Comprehensive Income and Expenditure statement" column on the Expenditure and Funding Analysis table (EFA) on page 58 relevant for reconciliation purposes as opposed to the "Net Expenditure Chargeable to the General Fund and HRA Balances" column. Management decisions are made after taking into account statutory adjustments as disclosed in the EFA.

Explanation of 2020/21 Variances

The General Fund balanced position for 2020/21 includes the following departmental underspends and overspends:

- Environment and Regeneration – The Environment and Regeneration outturn position was a (+£18.173m) overspend, that consisted of a (+£24.277m) overspend attributable to COVID-19 and a (-£6.104m) underspend in the base budget. The Environment and Regeneration outturn position was after a (+£2.548m) transfer to earmarked reserves in relation to unbudgeted income from the Low Traffic Neighbourhoods programme to support the delivery of the council's Net Zero Carbon programme in future financial years.
- Housing General Fund – The Housing General Fund outturn was a break-even position, after service specific government grant funding and a (+£1.769m) transfer to earmarked reserves. The transfer to earmarked reserves was in relation to inflation and demographic growth in the 2020/21 base budget that was replaced by government grant funding confirmed after the finalisation of the budget. The break-even position included the council's statutory, yet unfunded by central government, duty to provide a safety net to vulnerable migrants with no recourse to public funds (NRPF).
- The People directorate (comprising Children's, Employment and Skills and Adult Social Services) overspent by (+£5.559m) on GF services, consisting of a (+£7.686m) overspend attributable to COVID-19 and an underspend of (-£2.127m) in the base budget.
- People (Children's Services) – Children's, Employment and Skills overspent by (+£3.604m), consisting of a (+£4.732m) overspend attributable to COVID-19 and an underspend of (-£1.128m) in the base budget.
- Schools – The Dedicated Schools Grant (DSG) underspent by (-£4.646m).
- Public Health –. The Public Health directorate outturn was a break-even position, including a (-£0.770m) drawdown from the earmarked Public Health reserve. Public Health expenditure was funded via a ring-fenced grant of £26.563m in 2020/21.
- Resources – The Resources directorate outturn was a (+£1.320m) overspend, that consisted of a (+£5.271m) overspend attributable to COVID-19 and an underspend of (-£3.951m) in the base budget
- Chief Executive – The Chief Executives directorate outturn position was a (+£0.365m) overspend, that consisted of a (+£0.328m) overspend attributable to COVID-19 and a small (£0.037m) overspend on the base budget.
- Corporate items - The provisional corporate items outturn was an overspend of (+£9.943m), that consisted of a (-£1.487m) net underspend attributable to COVID-19 and variance of (+£11.430m) within the base budget. In addition, there was an underspend of (-£5.455m) on the corporate contingency budget.

The 2020/21 Provisional Outturn report on the council's website gives a detailed explanation of the outturn position and variances against budget.

General Fund Balances

To maintain its financial resilience, as a minimum the council aims to maintain the General Fund balance (excluding schools) at a level where it is commensurate to the council's overall level of budget risk that the council faces over the medium term. On 31 March 2021 the General Fund balance (excluding schools) totalled £16.664m (£16.664m on 31 March 2020). The schools balance totalled £10.108m (£11.208m on 31 March 2020). The council has limited powers to supplement its budget from reserves. It is required to maintain a reasonable level of General Fund balances, whilst schools and HRA balances are ring-fenced. However, it can use earmarked reserves to supplement the budget if they are no longer required.

Housing Revenue Account 2020/21

The Housing Revenue Account (HRA) is a separate account for all the expenses and income relating to council housing. The provisional outturn for the HRA is an in-year deficit of (+£13.456m) compared to original budget assumptions, comprising (+£2.112m) budget pressures attributable to COVID-19 and other net budget pressures of (+£11.344m). Because of this in-year deficit, the contribution to HRA Risk Equalisation reserve will be £13.456m less than planned in the original budget. Total HRA reserves were £114.463m at 31st March 2021 (£130.319m at 31st March 2020).

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 2020/21

Capital expenditure of £111.637m was delivered against the revised 2020/21 budget of £127.943m, representing 87% spend against budget. The variance from budget was predominantly due to COVID-19 related delays across the programme. The table below sets out this expenditure by department. The difference between the figures below and Note 21 Capital Expenditure and Capital Financing relates to prior year capital expenditure that has now been reclassified as revenue expenditure.

Capital Programme Outturn 2020/21	2020/21 Capital Budget	2020/21 Capital Expenditure	Re-profiling (to)/from future years
	£m	£m	£m
Environment and Regeneration	22.344	15.098	(7.246)
Housing	97.550	90.779	(6.771)
People	5.934	3.620	(2.314)
Resources	2.115	2.140	0.025
Total Capital Programme	**127.943**	**111.637**	**(16.306)**

Funding Sources	£m
Capital Grants & Third Party Contributions	18.502
Capital Receipts	27.641
HRA - Major Repairs Reserve	46.112
HRA - Revenue Account	8.424
General Fund Revenue Account	2.882
General Fund Borrowing	8.076
Total Funding	**111.637**

Net Assets as at 31 March 2021

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

This year it shows net assets of £3.4bn, (made up of £5.1bn of assets and £1.7bn of liabilities). The most significant asset held by the council is its Property, Plant and Equipment portfolio (worth £4.8bn), of which council dwellings make up £3.3bn.

The largest liability facing the council is in relation to the Pension Scheme (£960m). 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 £83m relating to the council's PFI and similar schemes and is payable over the next 20 years. Further details can be found in Note 20. There were no individually material assets added this year or significant new liabilities incurred.

Current assets (amounts due within 12 months) include £116.9m of short-term debtors (£84.7m 2019/20). £60m 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 £88.4m 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 £184.9m (£126.3m 2019/20). A significant proportion of these relate to central government and other public sector bodies, at £77.4m. Short-term PFI creditors amounted to £13.3m.

Borrowing and Investments 2020/2021

As at 31 March 2021, the council had £151.7m of temporary investments and £75m of temporary debt. These investments were for periods ranging from a week to 364 days at an average interest rate of 0.7% for temporary investments and 0.75% for temporary debt. The total long-term debt is now £296.6m compared to £302.1m as at 31 March 2020. The average rate of interest on external borrowing has decreased from 3.45% in March 2020 to 3.29% in March 2021.

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 2020/21.

31 March 2020 *£'000*	Treasury Management Cashflow	31 March 2021 *£'000*
54,206	Cash & Cash Equivalents	6,889
90,452	Short Term Investments	152,097
144,658	**Total**	**158,986**

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 2020/21.

Significant provisions and contingencies and material write offs

The balance sheet includes provisions of £39.2m as at 31 March 2021 (£33.5m as at 31 March 2020). The most significant provision is the Insurance Provision (£16.8m as at 31 March 2021). Since 1992/93, the council has self-funded many of its insurable risks and a large part of the provision relates to claims submitted against the council since then which are still open, where the council has not yet paid out.

Material events after the reporting date

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

Significance of the pensions liability

The estimated pensions liability facing the council is £960.1m at 31st March 2021 (£911.5m as at 31st March 2020). This liability shows the underlying commitments that the council has in the long-term to pay retirement benefits. The total net liability of £960.1m 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 2021/22, the council is expected to make contributions of £28.9m to the Local Government Pension Scheme and the London Pension Fund Authority.

Looking forward

On 25 February 2021, the council agreed its budget for 2021/22 and set a budget requirement of £200.1m. This resulted in a basic amount of band D council tax of £1,276.48 (representing a council tax increase of 4.99%) and a total amount of band D council tax (including GLA precept) of £1,640.14.

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

Planned Revenue Expenditure	2021/22 £'000
Frontline Services	
People	141,747
Environment	10,475
Housing	9,027
Other Services	38,841
Net Cost of Services	**200,090**
Net Operating Expenditure	**200,090**
Funded By:	
Retained Business Rates	76,251
Council Tax	99,249
Revenue Support Grant	24,590
Net Cost of Services/Net Operating Expenditure	**200,090**

The 3-year General Fund financial planning cycle to 2024/25 assumes the delivery of base savings of approximately £36m. The medium-term budget gap is kept under constant review and will be assessed in detail in advance of the 2022/23 budget setting process.

The medium-term financial outlook for local government is the most uncertain it has ever been and there is unlikely to be any degree of certainty for some time. The economic ramifications of the COVID-19 pandemic are going to take some years to unfold, with an inevitable impact on public sector spending settlements going forward. The medium-term budget position will be subject to significant volatility as further information emerges on key budget variables, including the following:

- Ongoing COVID-19 income losses (including council tax and business rates losses) and expenditure/demographic pressures, and the extent to which these are covered by central government funding;
- Delivery of the savings programme;
- The longer-term government Comprehensive Spending Review (CSR) and future local government finance settlements, and potential funding distribution reforms such as the reset of business rates retention growth and the fair funding review; and
- Government reforms of the business rates system and social care funding system.

The national economic outlook is highly uncertain, with all parts of the UK still being in lockdown at the time of writing. There is some hope that the speed of vaccine rollout will impact positively on the pace at which the UK recovers from the pandemic, both in health and economic terms, but organisational and financial planning needs to be in the context of potential setbacks.

On 25 February 2021, the council agreed a capital programme of £539.2m over the three years from 2021/22 to 2023/24 as shown below:

Capital Programme 2021/22 to 2023/24	2021/22	2022/23	2023/24	Total
	£'000	*£'000*	*£'000*	*£'000*
Decent & Affordable Homes	138,049	165,392	134,544	437,985
Jobs & Opportunity	9,006	1,400	1,400	11,806
A Safer Borough for All	1,500	1,700	200	3,400
Greener & Cleaner Islington	24,584	12,467	11,292	48,343
Enhancing Community Assets	13,650	9,376	14,640	37,666
Total	**186,789**	**190,335**	**162,076**	**539,200**

Corporate information summary

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

Key Islington Facts and Figures

- 15 square kilometres – the third smallest London borough.
- Growing population – 244,372 estimated in 2021, an increase of 18% or 37,733 since 2011 with an increase of 3% expected over the next ten years.
- Most densely populated authority in the country with 16,321 people per square kilometre, this is almost three-times the London average and more than 37-times the national average.
- Only 13% of the borough is green space, the second lowest for all authorities.
- Young – 18% under 18, only 9% over 65.
- Diverse population – 32% Black Asian or other Ethnic groups with 48% White British or Irish and 20% Other White, 35% born outside the UK.
- 5,532 people in the borough are on Disability Living Allowance (it is estimated that 15% of the population have a disability).
- 10,000 businesses.
- Economic inequality – the borough includes areas of affluence and significant deprivation, with almost every ward including neighbourhoods among the 20% most deprived in the country. Life expectancy varies significantly across the borough, but average life expectancy in Islington is amongst the lowest in London and significantly lower than the London and national average.
- Deprivation - Islington is the 53rd most deprived authority in England (as of 2019) and the 6th most deprived in London. It has the tenth highest rate of child poverty nationally (the highest in London) and fourth highest rate of pensioner poverty in London.

Impact of COVID-19 on the council

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

<u>Overall impact on budget and government support</u>

Alongside the provisional local government finance settlement, the government published a consultative policy paper with further details on the COVID Support Package for 2021/22 announced in SR20. It is expected that COVID-19 will continue to have a significant impact on the council's budget over and above the amount covered by this COVID support package. Therefore, it is essential that the council has sufficient annual contingency budget and reserves to boost financial resilience and protect residents. Final allocations on the

£1.55bn COVID-19 tranche 5 grant have been announced. The government has advised that councils should plan for no further funding, other than this package, to meet COVID-19 costs in 2021/22.

The government propose to distribute a £670m Local Council Tax Support (LCTS) grant based on each billing authority's share of the England level working-age local council tax support caseload (using data from 2020/21 Q1 and Q2), adjusted to reflect the average bill per dwelling in the area. Islington's indicative allocation is £3.6m, and it is assumed in the 2021/22 budget that this is directly offset by a one-off reduction in the council tax base due to the increased cost of providing the council's approved council tax support scheme. The cost of council tax support in 2021/22 and over the medium term is highly uncertain as it will depend on future developments in the economy, including the level of unemployment, and government measures to support businesses and individuals.

There will be a local tax guarantee scheme to provide compensation for 75% of irrecoverable council tax and business rates losses in the Collection Fund relating to 2020/21. Collection Fund deficits will also be spread over 3 years (2021/22 to 2023/24) instead of fully impacting on the 2021/22 budget as would ordinarily be the case. The local tax guarantee scheme will apply to 2020/21 losses only. COVID-19 is expected to have a significant, currently unquantifiable, adverse impact on council tax and business rates income beyond 2020/21 that remains unfunded and a significant uncertainty in our budget planning for 2021/22 and over the medium term. The government has set out how losses in scope of the 75% local tax income guarantee will be measured.

- For council tax, this is broadly a comparison of each authority's council tax requirement and an adjusted net collectable debit with no compensation for collection losses. Due to wider growth in the council's tax base over the past year that offsets the increased cost of council tax support, the council is not expected to receive any compensation for the council's share of COVID-19 related council tax losses. Therefore, these losses will need to be fully funded within the council's reserves.
- For business rates, this is broadly a comparison of income as calculated in the National Non-Domestic Rates (NNDR) statistical collection forms 1 and 3.

The sales, fees and charges income loss compensation scheme (whereby local authorities can claim back funding for 75% of income losses from sales, fees and charges, where these losses are greater than 5% of the council's planned income receivable) will continue for the first quarter of 2021/22 (until the end of June 2021).

Overall impact on services

COVID-19 has had a wide-ranging impact during the past year on council services including adults' and children's social care, housing, registrars, democratic services, digital services, street markets, parks and leisure centres to name but a few. These impacts have been monitored on a regular basis by the council and included in returns to Ministry of Housing Communities and Local Government. There is likely to a significant continuing impact during 2021/22 as the economy and health and care services gradually recover from the pandemic.

Residents and Businesses

During the last year, the Council has operated a borough-wide helpline to assist residents who are vulnerable or self-isolating because of COVID-19. The 'We are Islington' helpline 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 has received almost £4m in 2020/21 from the government Hardship Fund to provide additional support with council tax costs and other hardship support for the least well-off residents, with over £3.5m further support available during 2021/22.

The council has supported local businesses forced to close or otherwise affected by the initial outbreak of COVID-19 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 received almost £58m from the government to cover the estimated cost of the cash payments support scheme for the initial lockdown. The council has received further payments during the year in respect of sums required to be paid over to business for the costs of complete closedown or restrictions on activities during national lockdowns/local restrictions. The council will be fully compensated by government for the cost of the business rates holiday for smaller businesses.

Council Workforce

As at 31 March 2021, 48% of staff were working from home, 33% were on site, and 19% unavailable (sickness, leave, and part-time).

Procurement and Supply Chains

The government 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
- Procurement Policy Note 04/20: Recovery and Transition from 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. Emergency provisions implemented when necessary to deliver critical services were evaluated on their merits with the intention to transition to business-as-usual arrangements.

Islington council performance and priorities

Islington council has a number of key corporate priorities, which are set out below. The achievement of these are measured using corporate performance indicators. The impact of COVID-19 has resulted in a number of services either pausing or changing delivery approach since lockdown. In some cases, this has affected performance and data submission. Face-to-face delivery remains under review and has recommenced where safe to do so. The council's performance against some of the key performance indicators is outlined below.

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:
- 200 (target: 45) street homeless supported into accommodation
- 93% (target: 85%) LBI repairs fixed first time
- 341 (target: 400) households accepted as homeless

Challenges
- 4.7% (target: 3.75%) LBI rent arrears
- 4.9% (target: 3.25%) PFI rent arrears
- 468 (target: 350) households in nightly booked temporary accommodation. The 'Everyone In' work had a particular effect on this indicator. However, the team are working to reduce this number over the coming months.

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

- 988 (target: 600) unemployed residents supported into paid work, exceeding the year-end target by 65%. This successful achievement reflects our joint working with the Islington working partnership.
- 2897 (target: 1,200) new library members since library closures – new indicator due to COVID-19 restrictions.
- 233 (target: 198) parents of children aged 0-18 supported into paid work, exceeding the year-end target. An excellent achievement given the implications of school closures on parent's ability to engage with employment support services and the impact of the economic climate due to the COVID-19 pandemic.

Challenges

- 67 (target: 30) residents supported into apprenticeships with an external employer. We have achieved the target this year, but outcomes are down against the same period in 2019/20. We have seen a decrease in the number of new apprenticeships created by employers, which is evidence of low confidence in the current economic climate. There are similar reports from wider London boroughs.
- 252 (target: 733) parents of children aged 0–18 enrolled on Adult Community Learning course. Quarter 4 coincides with Spring 20/21 term. Due to lockdown, no family learning activities (bar Family Kitchen) were help for an extended period. The service is recovery planning with Bright Start centres, making Family Learning provision a priority as a phased return of face-to-face learning.
- 9 (target: 20) residents gaining apprenticeships with council contracted suppliers. This proved to be a challenging ambition during the COVID-19 impacted recession. However, this will continue to be a 'key ask' within council contracts in 21/22, as part of the enhanced social value approach set out in the new corporate Progressive Procurement Strategy.

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

- 25% (7173 fewer crimes) reduction in overall crime compared to previous year
- 27% (target: 37% or lower) of young (under 18) offenders re-offended
- 2 (target: 10 or fewer) custodial sentences for young offenders (under 18). It is important to note that some of our statistical neighbours had higher rates of custodial sentences for this period, confirming that offending still took place during COVID-19. Maintaining this level of custodial sentences will likely prove to be challenging due to the impact of COVID-19 on offending.

Challenges

- 56% (target: 5% reduction) increase in reported ASB
- 22% (target 5%) rise in Racial Crime
- 2,537 (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
- 10.5% (target 18% or below) of children who became the subject of a Child Protection Plan did so for a second or subsequent time
- 97% (target: 96.5% or higher) of Islington school leavers had an offer of a suitable place to continue in education or training by the end of September 2020
- 17.5% (target: 18% or below) of referrals to Children's Social Care involved children who had previously been referred in the last 12 months

Challenges
- In April and May 2020, fewer than 400 children were attending early years settings, compared to nearly 5,000 in normal circumstances. Attendance rose to over 3,900 children by March 2021, but the challenge to increase this further and catch up with lost hours of early education remains.
- School closures and COVID-19-related attendance has meant that many pupils have missed significant periods of school. Persistent absence levels in the weeks after schools re-opened in March 2021 were 12.0% for primary schools and 23.6% for secondary schools, which were both higher than levels prior to the pandemic.
- Free School Meal eligibility rose from 32.3% of pupils in January 2020 to 38.3% in January 2021. Islington now has the second highest level of Free School Meal eligibility in the country, and had the highest proportion of pupils who became eligible for Free School Meals since 23rd March 2020 in the country.

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
- 93.5% (19/20: 89.9%) LEQS litter - % sites satisfactory
- 91.7% (target: 85%) minor/other planning applications determined within time
- 289 (target: 305) average missed waste collections

Challenges
- 222 (target: 300) secure cycle facilities installed over the last two years
- 30.3%, as at quarter 3 (target: 31%) household waste recycled and composted
- 298k (19/20: 2.07m) 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
- 53%, as at quarter 3 (target 50%) smokers using Stop Smoking Services who quit
- 112 (target 68) average number of full care act assessments completed per month (65+)

- 11 (12 pre-COVID-19) child health clinics have been delivered weekly. This is an important recovery indicator showing that services have been able to successfully respond to high level of demand despite COVID-19 restrictions.

Challenges

- 12% (target 20%) of drug users completed treatment and did not represent in 6 months. Service users have been retained by the service for longer than usual as part of protective response to COVID-19 which has affected this measure. The numbers of service users has increased as the service has reached out to formerly street homeless brought into hostels and hotels.
- 881 (target 1,110) of Long-Acting Reversible Contraception (LARC) prescriptions in local integrated sexual health services. Activity was affected by COVID-19 restrictions and changes in guidelines – and will be prioritised for the coming year.
- 186 (target: 142) new admissions to nursing or residential care home.

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

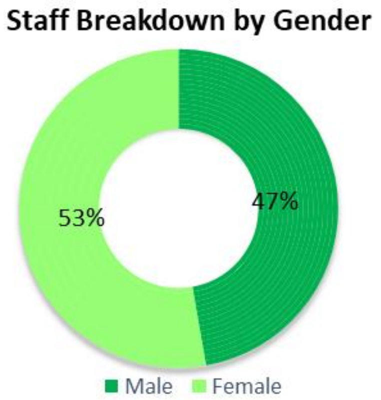
- 191k (target: 161k) online transactions
- 21.9% (target: 21.7%) BME staff within top 5% of earners
- 7.5% (target: 6.3%) disabled staff within top 5% of earners

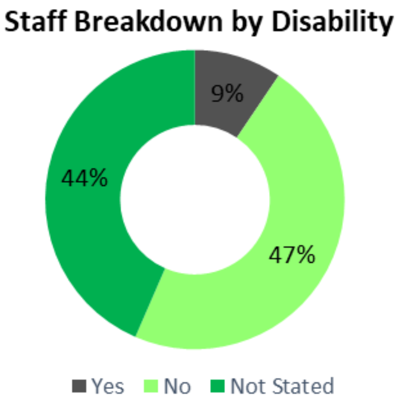
Challenges

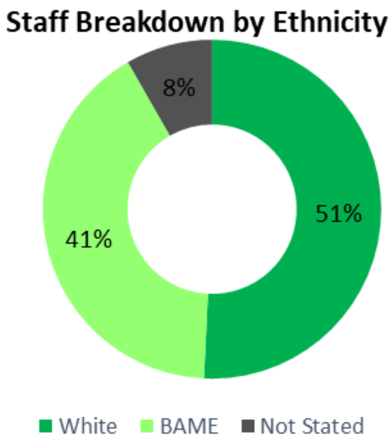
- 93.7% (target: 95.3%) council tax collected in-year
- 93% (target: 96.7%) business rates collected in-year
- 12.8% (target: 10%) workforce who are agency staff (by headcount)

Staffing

The latest available council's employee headcount (not at year-end) is 4729, an increase of 136 people in the last year. The gender, disability and ethnicity breakdown for Islington staff is as follows:







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.

The majority of risks are stable in terms of direction of travel though a number of risks are increasing including serious fraudulent activity and increasing outstanding debt. There are a few newly identified risks including increasing outstanding debt.

The main financial risks identified include external funding uncertainty, increasing outstanding debt, COVID-19 financial impact, serious fraudulent activity and savings delivery.

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

Risk Title	Comments
COVID-19 Outbreak Control	The vaccination programme overall will reduce the risk of outbreaks, however local outbreaks may still occur impacting the community. We are working with residents and staff to overcome vaccine hesitancy.
COVID-19 Financial Impact (Public Realm)	The risk outlook remains stable due to a reduction in vehicles and subsequent transactions during lockdown, balanced by increased surcharge/tariffs to reduce unnecessary journeys. The introduction of the people friendly streets schemes, in conjunction with revised long term financial planning will further mitigate the risk moving forward.
COVID-19 Financial Impact	Risk has stabilised further due to additional government funding, vaccine rollout, government roadmap and improved understanding of the budgetary

	impact of restrictions/lockdown. The risk score has reduced since the last report as we have greater clarity on how the government will compensate lost income, improving our financial planning.
External Funding Uncertainty	Shorter-term financial certainty has improved, however the medium-term financial outlook for local government remains highly uncertain.
Increasing Outstanding Debt (increasing risk)	COVID-19 has increased financial hardship for both businesses and residents. This has led to an increase of monies owed to the Council. Our powers for collecting debt have been reduced during the pandemic due to court proceedings being paused.
Decline in local business resilience (increasing risk)	Government intervention will determine the pace and depth of economic slowdown. Local businesses will benefit from support measures announced in the budget, including the extension of the furlough scheme, the Help to Grow digital training and grants scheme (aimed at small business) and the extended self-employed COVID-19 financial support offer.
Youth crime and serious youth violence	We have continued to see reductions in crimes involving young people and all violent crime types, and reductions in reoffending and youth custody rates.
Financial Resilience of Residents (increasing risk)	The pressures on the economic environment because of COVID-19 continue to increase, particularly as a number of the central government COVID-19 support packages end in the coming months. This increasing pressure may lead to a further decline to financial resilience of residents. The additional shift in the number of residents claiming UC builds in higher levels of debt (based on the evidence we have about residents who have already transitioned to UC).
Housing Delivery Test (increasing risk)	The short-term risk is increasing as we have failed to meet our 19/20 Housing Delivery Test targets. In the longer term the adoption of the Local Plan and the much lower new target set in London Plan will help reduce the risk going forward. Some big sites will also be coming on stream.
Leisure Provision Closure	We continue to work with, and support our leisure provider to keep centres operational following the easing of restrictions. GLL continue to be impacted by the current lockdown. We are developing a Leisure Recovery Strategy to mitigate the risk of disruption to residents and the financial risk to the Council.
Safeguarding children	COVID-19 and the lockdown restrictions have increased pressures on families, which is likely to lead to an increase in abuse and neglect, poverty, domestic violence and contextual safeguarding risk. In addition children had been seen less frequently by professionals in the community during lockdown, which may have delayed referral where needed.
Cyber and Data Security	The external risk continues to increase; this is balanced by our continuously improving control mechanisms. The impact score has been adjusted to demonstrate the potential severity of a significant event.
Diversity and Inclusion	A range of actions to further control the risk have been designed and will be introduced over the coming six months, enhancing our controls and moving us towards our target risk score. The risk landscape remains largely unchanged since the last report, hence a stable trend
Social Inequalities (increasing risk)	We have developed a secure foundation for challenging inequalities within the Council, the challenge now is to continue to drive forward the change. However the economic impact of COVID-19 is likely to exacerbate inequality in our community.
Serious information breach or non-compliance with legislation (increasing risk)	Whilst the overall risk score remains the same the likelihood has decreased and the impact has been increased. This is due to the potential for higher regulatory fines as well as increasingly long-term impact of reputational damage.
Response and resilience (increasing risk)	The Emergency Planning Unit continue to support the management of COVID-19, whilst remaining resourced to respond to other emergencies. The team will co-ordinate the organisations recovery planning.
Safeguarding adults	The ongoing impact of COVID-19 will continue to present challenges to adults at risk of harm. Some services or arrangements available in the wider

	community that previously provided some safety net and protection for vulnerable people might be delayed in recommencing support or may have ceased to. We are addressing these risks with the increased support and guidance available for staff, development of collaborative community approaches with voluntary sector organisations and mutual aid groups and increased awareness of safeguarding adults in the community from our engagement with local residents.
New Homes Programme	COVID-19 delays continue to impact the rate of delivery for construction projects. We continue to monitor the impact of the EU Exit Trade Deal to identify if there will be an impact on supply of labour, we do not expect any impact on supply of materials and marginal cost impacts.
Social Care Market Instability	For Adult Social Care and the wider Council, the past 12 months has been dominated by the national response to the COVID-19 pandemic. Working relationships with providers in Islington have been excellent and support provided in a number of areas including: PPE, infection control and advice and guidance. Although there has been an increased use of spot purchased providers particularly in domiciliary care, service delivery has been stable.
Delivering Net Zero Carbon	Net Zero Carbon strategy was adopted in November 2020. We have established and mobilised a net zero carbon programme, with the aim to deliver net zero carbon by 2030 in Islington.
Contract Management	The restructure of our contract management function has progressed, alongside the launch of the progressive procurement strategy, therefore overall we have begun to enhance our controls. However the external environment remains challenging for our contractors.
Health and Social Care Integration (increasing risk)	Following the publishing of the Health and Social Care White Paper on 11 February 2021 and aligned changes to commissioning at a local and London level, there is potential dependent on discussions for changes to funding arrangements.
School Viability and Place Planning	Demand for school places is continuing to fall, driven by declining birth rates across London, this is likely to remain an ongoing trend.
Compounded pupil attainment gap	We have implemented the National Catch up programme in schools to support vulnerable pupils. The Richard Reeves Project has been implemented to provide targeted support for all pupils and in particular Caribbean and White UK disadvantaged pupils. Unconscious bias training is being provided to schools to support undertaking teacher assessments in particular for pupils undertaking GCSEs and A Levels. We are supporting schools to establish and implement remote learning that reflects the demands of the national curriculum in order to minimise gaps.
IT delivery and transformation (increasing risk)	Delivery pressure has increased due to resources and organisational focus shifting to respond to COVID-19, however we continue to closely monitor project delivery. The current challenges are reflected in the increased likelihood score and increasing forward trend.
Service Response to further COVID-19 outbreak	COVID-19 cases are on a downward trend, service response has matured as we have adapted and scaled up through the second wave. Our knowledge of COVID-19 has evolved, and services have adapted to meet the needs of residents.
Non-Recent Child Abuse	The Executive has agreed our support payment scheme proposal for consultation with survivors and other key stakeholders. Our full remedial support offer has a practical support and financial element.
Serious H&S incident in housing	Our controls continue to improve reducing the risk. The implications of the Fire Safety bill and Building Safety Bill are being assessed, in preparation for implementation on enactment of legislation.
Health and safety	The corporate Health and Safety service has been focussed on supporting the organisations response to COVID-19 to ensure staff and resident safety and wellbeing is maintained.
Capital Programme Delivery	The Capital Strategy and Capital Programme (for the next 3 years) have been approved as part of the budget setting programme at full Council in February 2021. The total expected spend over 3 years is £539 million, there

	will be close monitoring of our spend and outcomes.
Domestic Violence Abuse (increasing risk)	The additional £2 million council investment agreed in 2020 (for three years) to tackle Violence Against Young Women and Girls (VAWG) is being used to transform the council's offer, and additional funding has bolstered this. Domestic Violence Abuse has increased circa 2% year on year (which is slightly lower than projected) however, cases are increasing in complexity and risk.
Change Programme Delivery	Risks are being managed through enhanced governance processes and monitoring. The risk remains stable.
IT Resilience	We have made improvements to our controls in recent months and refreshed our resilience plans, therefore reducing our risk score. The trend is stable as we continue to make planned progress towards control improvement.
Well Managed Workforce	A range of actions to further control this risk are planned and will be introduced over the coming six months. Remote working is set to continue in the near term with new ways of working being established.
Serious fraudulent activity (increasing risk)	The current score has reduced compared to the previous iteration as we have not seen the level of fraud initially anticipated because of the pandemic. The forward trend is increasing as the government continues to support residents through a variety of COVID-19 grants and dispensations.
Savings Delivery	The risk score has reduced following a full review of proposals, we have re-profiled some savings and agreed a new 2021/22 savings. There remains an ongoing level of risk around delivery of the challenging level of savings the council is having to making each year to balance its budget.

Statement of Responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

The council's designated Chief 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 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 these Statements of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently except where policy changes have been noted in these accounts;
- made judgments and estimates that were reasonable and prudent; and
- complied with the Code.
- The Section 151 Officer has also:
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2021 and of its income and expenditure for the year then ended.

David Hodgkinson
Corporate Director of Resources
11 November 2021

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 11 November 2021

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 2020/21	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 carried forward	**27,872**	**80,258**	**17,521**	**90,888**	**39,223**	**21,909**	**3,474**	**281,145**	**2,425,054**	**2,706,199**
Movement in reserves during 2020/21										
Total Comprehensive Income and Expenditure	39,259	-	22,299	-	-	-	-	61,558	616,492	678,050
Adjustments between accounting basis & funding basis under regulations (Note 13)	19,835	-	(21,679)	-	(20,122)	(16,638)	(503)	(39,107)	39,107	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**59,094**	**-**	**620**	**-**	**(20,122)**	**(16,638)**	**(503)**	**22,451**	**655,599**	**678,050**
Transfers to/(from) Earmarked Reserves (Note 27)	(60,193)	60,193	(620)	620	-	-	-	-	-	-
Increase/ (Decrease) in 2020/21	**(1,099)**	**60,193**	**-**	**620**	**(20,122)**	**(16,638)**	**(503)**	**22,451**	**655,599**	**678,050**
Balance at 31 March 2021 carried forward	**26,773**	**140,451**	**17,521**	**91,508**	**19,101**	**5,271**	**2,971**	**303,596**	**3,080,653**	**3,384,249**

The General Fund carried forward balance of £26,773k (£27,872k at 31st March 2020) comprises of £16,664k (£16,664k at 31st March 2020) General Fund balances and £10,109k (£11,208k at 31st March 2020) of school reserves as shown in the expenditure and Funding analysis footnote on page 59.

Movement in Reserves 2019/20	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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**

Comprehensive Income and Expenditure Statement

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

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Comprehensive Income and Expenditure Statement	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000	Notes
114,907	(43,656)	71,251	People - Adult Social Services	121,967	(47,086)	74,881	
156,256	(82,387)	73,869	People - Children, Employment and Skills (excluding Schools)	164,248	(89,132)	75,116	
145,784	(128,902)	16,882	Schools*	59,710	(122,778)	(63,068)	
99,262	(77,345)	21,917	Environment and Regeneration	88,848	(60,153)	28,695	
31,792	(16,707)	15,085	Housing	35,490	(15,536)	19,954	
28,765	(28,522)	243	Public Health	32,123	(39,268)	(7,145)	
2,320	(300)	2,020	Chief Executive	7,403	(2,019)	5,384	
216,740	(175,239)	41,501	Resources	209,526	(167,331)	42,195	
25,208	(990)	24,218	Corporate Items	22,638	(9,948)	12,690	
199,447	(222,038)	(22,591)	Housing Revenue Account (HRA)	192,760	(224,503)	(31,743)	
1,020,481	**(776,086)**	**244,395**	**Net Cost of Services**	**934,713**	**(777,754)**	**156,959**	
30,798	(26,724)	4,074	Other Operating expenditure	27,425	(11,402)	16,023	**14**
59,336	(6,557)	52,779	Financing and investment income and expenditure	60,102	(6,265)	53,837	**15**
18	(259,488)	(259,470)	Taxation and non-specific grant income	19	(288,394)	(288,375)	**16**
1,110,633	**(1,068,855)**	**41,778**	**(Surplus) or Deficit on Provision of Services**	**1,022,259**	**(1,083,815)**	**(61,556)**	
		(28,044)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(656,357)	**17**
		(13)	(Surplus) or deficit from investments in equity instruments designated at fair value			5	**28**
		(68,675)	Actuarial (gains) or losses on pension assets / liabilities			39,860	**28**
		(96,732)	**Other Comprehensive Income and Expenditure**			**(616,492)**	
		(54,954)	**Total Comprehensive income and Expenditure**			**(678,048)**	

*The 2020/21 expenditure figure includes £78m revaluation gain (£1m loss in 2019/20) following a reversal of a past revaluation loss.

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 2020 *£'000*	Balance Sheet	31 March 2021 *£'000*	Notes
4,012,229	Property, Plant & Equipment	4,773,583	17
487	Heritage Assets	487	
33,178	Investment Property	32,633	18
5,843	Long Term Investments	813	22
8,498	Long Term Debtors & Prepayments	12,582	25
4,060,235	**Total Long-Term Assets**	**4,820,098**	
90,452	Short Term Investments	152,097	22
-	Short Term Assets Held for Sale	281	
2,183	Inventories	1,295	
84,723	Short Term Debtors	116,941	25
54,206	Cash and Cash Equivalents	6,889	29
231,564	**Total Current Assets**	**277,503**	
(126,274)	Short Term Creditors	(184,948)	24
(72,888)	Short Term Borrowing	(112,246)	22
(26,474)	Cash and Bank Overdrawn	-	29
(12,452)	Short Term Provisions	(26,216)	26
(18,135)	Short Term Grants Receipts in Advance	(34,175)	37
(256,224)	**Total Current Liabilities**	**(357,586)**	
(21,020)	Long Term Provisions	(13,001)	26
(276,609)	Long Term Borrowing	(263,275)	22
(911,488)	Liability Related to Defined Benefit Pensions Scheme	(973,521)	35
(96,041)	Other Long Term Liabilities	(82,988)	22
(24,218)	Long Term Grants Receipts in Advance	(22,978)	37
(1,329,376)	**Total Long Term Liabilities**	**(1,355,763)**	
2,706,199	**Net Assets**	**3,384,252**	
281,145	Usable Reserves	303,595	MIRS
2,425,054	Unusable Reserves	3,080,657	28
2,706,199	**Total Reserves**	**3,384,252**	

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.

2019/20 *£'000*	Cash Flow Statement	2020/21 *£'000*
(41,778)	**Net surplus or (deficit) on the provision of services**	**61,557**
139,746	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	91,765
(51,234)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(29,378)
46,734	**Net cash flows from Operating Activities (Note 30)**	**123,944**
(64,950)	Investing Activities (Note 31)	(109,972)
49,680	Financing Activities (Note 32)	(34,815)
31,464	**Net increase or (decrease) in cash and cash equivalents**	**(20,843)**
(3,732)	Cash and Cash equivalents at the beginning of the reporting period	27,732
27,732	**Cash and cash equivalents at the end of the reporting period (Note 29)**	**6,889**

Notes to the Accounts

1. Accounting Policies

i. General Principles

The Statement of Accounts summarises the council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21 (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.

<u>Accounting for Council Tax and NDR</u>

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

<u>Benefits Payable during Employment</u>

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 2.1% (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 or Loss

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

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

Instruments with quoted market prices – the market price.

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

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

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

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

ix. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-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, if material, are consolidated into the council’s accounts to form Group Accounts for the council.

xii. Investment Property

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

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

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

xiii. Joint Operations

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

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

xiv. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.
Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

<u>The Council as Lessee</u>

Finance Leases

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability.
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

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). Depreciation charges commence in the year following acquisition or 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. Components which are integral part of the host asset are held under the same asset class as the host.

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

The written-off value of disposals is not a charge against council tax, as the cost of 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

Provisions

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

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 2020/21 (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 2020/21 Code. The most pertinent ones are listed below and will apply to local authorities from 1 April 2021:

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 2022.

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

- Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Definition of a Business: Amendments to IFRS 3 Business Combinations

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 (2019/20) was £0.956m, and it had gross assets and liabilities of £1.143m and £1.160m respectively. None of its income was from the council however it paid £0.410m (of total spend £0.963m – 43%) 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.

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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pensions Liability

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

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Any variation in these assumptions will affect the recognised liability, for example, if the assumed longevity increased by 1 year the net liabilities would increase by £79m.

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 69 note 17) to provide up to date assessments using accepted valuation bases and methods.

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. The measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

In the 2020/21 financial year 99.8% of the Council's operational property assets were subject to an inspection and full valuation, which has minimised the uncertainty around potential impairment of assets that are not subject to valuation. A movement of 1% in PPE valuations would result in a change in asset value of c£45m 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 £133m, and if the value of dwellings were to reduce by 1% this would lead to a reduction in value of about £33m.

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, although in the 2020/21 financial year 99.8% of the Council's operational property assets were subject to an inspection and full valuation, which has minimised the uncertainty around estimating the EUL of assets.

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 £5.7m for a 10% reduction in useful lives. Additionally, where property assets are subject to revaluations any change in the carrying values of the assets would also impact the depreciation charged in future years.

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 £89m to be set aside.

5. Significant Agency Income and Expenditure

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

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

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

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

Adopt London North 2020/21	Total Gross Expenditure £'000	Islington Council Contribution £'000	Hackney Council Contribution £'000	Haringey Council Contribution £'000	Enfield Council Contribution £'000	Camden Council Contribution £'000	Barnet Council Contribution £'000	Total Contributions £'000
Adopt London North - Regional Adoption Agency	3,174	(577)	(553)	(578)	(359)	(435)	(673)	(3,174)
	3,174	**(577)**	**(553)**	**(578)**	**(359)**	**(435)**	**(673)**	**(3,174)**

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 2020/21, 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 2020/21	Gross Expenditure	Islington Council Contribution	Islington CCG Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	40,296	(33,459)	(6,837)	-	-	(40,296)
Intermediate Care Pooled Fund	6,932	(2,257)	(4,675)	-	-	(6,932)
Integrated Community Equipment Services Pooled Fund	1,876	(1,308)	-	-	(568)	(1,876)
Mental Health Commissioning Adult Mental Health Care	5,004	(2,716)	(2,288)	-	-	(5,004)
Carers Pooled Fund	943	(848)	(95)	-	-	(943)
MHCOP Pooled Fund	7,399	(3,938)	(3,461)	-	-	(7,399)
Mental Health Care Trust Pooled Fund	14,527	(2,813)	-	(11,714)	-	(14,527)
Better Care Fund	34,545	(16,015)	(18,530)			(34,545)
Totals	**111,522**	**(63,354)**	**(35,886)**	**(11,714)**	**(568)**	**(111,522)**

Pooled Budgets 2019/20	Gross Expenditure	Islington Council Contribution	Islington CCG Contribution	Camden & Islington NHS Foundation Trust Contribution	Whittington Hospital NHS Trust Contribution	Total Contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Learning Disabilities Pooled Fund	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)**

7. Members' Allowances

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

2019/20 £'000	Members' Allowances	2020/21 £'000
530	Basic Allowance	540
362	Special Responsibility Allowance	389
4	Other Allowances	3
896	**Total**	**932**

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 2020/21 and 2019/20.

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

(i) Corporate Director of Resources – Section 151 Officer from end of April 2020, annualised salary was £149,121
(ii) The post of Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Director of Public Health until October 2020, annualised salary was £119,622. Amount displayed reflects the period they reported to the Chief Executive
(iii) The post of Deputy Director of Public Health is shared with London Borough of Camden and 52% of the remuneration shown in this note is recharged to them. Deputy Director of Public Health reported to Chief Executive from October 2020, annualised salary was £117,624. Amount displayed reflects the period they reported to the Chief Executive
(iv) Director of Service Finance - Acting Section 151 Officer until end of April 2020, amounts displayed reflects the period they reported to the Chief Executive

Senior officers remuneration for 2019/20 Post	Salary (Including fees & allowances) £	Other Payments £	Other Emoluments £	Total Remuneration excluding pension contributions £	Employers Pension contributions £	Total Remuneration including pension contributions £
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
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

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

i) Interim Programme Director - Localities

ii) Interim Director of Corporate Transformation

The total cost to the Council 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

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

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

Remuneration bands above £50k.

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

Remuneration Band	2019/20 Schools No of employees	2020/21 Schools No of employees	2019/20 Other No of employees	2020/21 Other No of employees
£50,000 - £54,999	65	111	188	223
£55,000 - £59,999	60	53	103	146
£60,000 - £64,999	26	45	54	77
£65,000 - £69,999	16	16	31	41
£70,000 - £74,999	14	10	25	25
£75,000 - £79,999	11	22	9	13
£80,000 - £84,999	4	7	7	13
£85,000 - £89,999	4	3	4	9
£90,000 - £94,999	3	4	9	15
£95,000 - £99,999	4	4	2	2
£100,000 - £104,999	1	2	7	1
£105,000 - £109,999	3	1	2	6
£110,000 - £114,999	-	2	4	1
£115,000 - £119,999	1	1	4	1
£120,000 - £124,999	-	1	-	5
£125,000 - £129,999	-	-	-	-
£130,000 - £134,999	-	-	-	-
£135,000 - £139,999	-	-	-	-
£140,000 - £144,999	-	-	-	-
£145,000 - £149,999	-	-	-	-
over £150,000	-	-	-	-
Total	212	282	449	578

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

Termination Benefits

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

Exit Package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£'000	*£'000*
£0 - £20,000	10	4	62	17	72	21	490	150
£20,001 - £40,000	4	3	10	8	14	11	387	349
£40,001 - £60,000	-	2	2	5	2	7	90	339
£60,001 - £80,000	1	-	1	-	2	-	134	-
£80,001 - £100,000	1	-	-	2	1	2	91	181
£100,001 - £150,000	2	-	2	2	4	2	480	219
Over £150,000	-	-	1	2	1	2	239	536
Total	18	9	78	36	**96**	**45**	**1,911**	**1,774**
Other costs associated with termination benefits							48	1
Total termination benefits							**1,959**	**1,775**

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 2020/21 cost of termination benefits of £1,756k includes £285k 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 £1k other costs associated with termination benefits in 2020/21 relate to additional costs incurred relating to 2019/20 accruals estimates.

9. Material transactions with related parties

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

UK Central Government

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

Grants received from government departments in 2020/21 and grant balances held in receipts in advance are shown in Note 37.

Members / Officers

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

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

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

Related Parties		**Income 2020/21**	**Expenditure 2020/21**	**Amounts owed (by)/to Islington Council 31 March 2021**
Organisation	**Nature of Relationship**	*£'000*	*£'000*	*£'000*
Members/Senior officers				
Voluntary organisations, charities and community groups	Four senior officers and twenty-four members are involved in management of voluntary organisations, charities and community groups which transacts with Islington Council	326	1,390	144
Universities, Colleges & Schools	One member and two senior officers are involved in the management of universities, colleges or schools which transact with Islington Council	898	1,190	1,366
Other Public Bodies				
NHS organisations	Four members and two 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).	933	9,674	1,808
Local authorities - Camden Council	Islington Council transacts with other local authorities. Camden Council is the main authority that Islington Council transacts with.	5,204	2,882	994
North London Waste Authority	Two members are board members of this organisation.	1,971	10,789	1,614
Private Companies	One members and one senior officer's family member are involved with a private company which transacts with Islington Council	-	65	-
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	62	25	-
Entities Controlled or Influenced by the Authority				
Transform Islington	Transform Islington has a number of design, build, finance and operate contracts with LBI lasting 25 years. LBI holds a 10% shareholder rights in Transform Islington.	-	14,376	-
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.	599	358	318
Subsidiaries	Islington Ltd is a wholly owned subsidiary of the council. Three senior officers and two members are on the board of this organisation.	594	58	1,533
Other Related Parties				
Islington Council Pension Fund	As administrator of the pension fund, the council has direct control of the fund. The related party figures shown here differ from those reported in the Pension Fund financial statements due to timing differences.	1,333	56,683	86

10. Fees payable to the Appointed Auditor

In 2020/21, Islington council incurred the following fees relating to external audit:

2019/20 £'000	Fees Payable to the Appointed Auditor	2020/21 £'000
Audit Services		
181	Fees payable to the appointed auditor with regard to external audit services carried out by the appointed auditor for the year	232
Audit Related Services		
36	Fees payable to the appointed auditor for the certification of grant claims and returns for the year	30
Non-Audit Services		
10	Fees payable in respect of non-audit services provided by the appointed auditor during the year	10

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.

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	Expenditure and Funding Analysis	2020/21 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2020/21 Adjustments between the Funding and Accounting Basis £'000	2020/21 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
67,999	3,252	71,251	People - Adult Social Services	73,411	1,470	74,881
67,138	6,731	73,869	People - Children, Employment and Skills (excluding Schools)	71,756	3,359	75,115
1,681	15,201	16,882	Schools	1,128	(64,196)	(63,068)
(1,611)	23,528	21,917	Environment and Regeneration	15,256	13,439	28,695
7,446	7,639	15,085	Housing	6,659	13,294	19,953
(160)	403	243	Public Health	(7,515)	369	(7,146)
1,680	340	2,020	Chief Executive	3,650	1,734	5,384
33,540	7,961	41,501	Resources	38,396	3,799	42,195
(193,548)	217,766	24,218	Corporate Items	(261,832)	274,520	12,688
(13,215)	(9,377)	(22,592)	Housing Revenue Account	(621)	(31,122)	(31,743)
(29,050)	**273,444**	**244,394**	**Net Cost of Services**	**(59,712)**	**216,666**	**156,954**
-	(202,617)	(202,617)	Other Income and Expenditure	-	(218,513)	(218,513)
(29,050)	**70,827**	**41,777**	**(Surplus) or Deficit**	**(59,712)**	**(1,847)**	**(61,559)**
(187,489)			Opening General Fund and HRA Balance	(216,539)		
(29,050)			Less Deficit on General Fund and HRA Balance in Year	(59,712)		
(216,539)			Closing General Fund and HRA Balance	(276,251)		

31 Mar 19		31 Mar 20	General Fund and HRA Balances	31 Mar 20		31 Mar 21
(10,881)	(5,783)	(16,664)	General Fund Balance	(16,664)	-	(16,664)
(69,572)	(10,686)	(80,258)	General Fund Earmarked Reserves	(80,258)	(60,193)	(140,451)
(11,841)	633	(11,208)	Schools	(11,208)	1,099	(10,109)
(17,521)	-	(17,521)	HRA Balance	(17,521)	-	(17,521)
(77,674)	(13,214)	(90,888)	HRA Earmarked Reserves	(90,888)	(620)	(91,508)
(187,489)	**(29,050)**	**(216,539)**	Total	**(216,539)**	**(59,714)**	**(276,253)**

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	(959)	2,271	-	158	1,470
People - Children, Employment and Skills (excluding Schools)	(3,292)	6,375	-	276	3,359
Schools	(69,891)	5,152	-	542	(64,197)
Environment and Regeneration	7,658	5,342	-	439	13,439
Housing	12,623	626	-	45	13,294
Public Health	-	384	-	(14)	370
Chief Executive	966	718	-	50	1,734
Finance & Resources	(1,559)	4,964	-	394	3,799
Corporate	4,937	9,626	227,955	32,002	274,520
Housing Revenue Account	2,829	4,661	(9,442)	(29,171)	(31,123)
Net Cost of Services	**(46,688)**	**40,119**	**218,513**	**4,721**	**216,665**
Other Income and Expenditure	-		(218,513)	-	(218,513)
(Surplus) or Deficit	**(46,688)**	**40,119**	-	**4,721**	**(1,848)**

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:

2019/20 £'000	Expenditure and Income Analysed by Nature	2020/21 £'000
	Expenditure	
391,546	Employee expenses	391,733
558,748	Other service expenses	579,883
57,618	Depreciation	56,586
22,136	Revaluation (Gains) / Losses & Impairments	(79,760)
49,787	Interest expenses	46,391
7,692	Precepts & levies	8,080
13,818	Payments to the government Housing Capital Receipts Pool	3,720
9,288	Disposal of assets	15,626
1,110,633	**Total Expenditure**	**1,022,259**
	Income	
(351,463)	Fees, charges and other service income	(327,813)
(1,411)	Interest and investment income	(1,323)
(26,724)	Proceeds from the sale of assets	(11,402)
(207,344)	Income from council tax and non-domestic rates	(165,155)
(481,913)	Government grants and contributions	(578,123)
(1,068,855)	**Total Income**	**(1,083,816)**
41,778	**(Surplus) or Deficit on the Provision of Services**	**(61,557)**

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.

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

2020/21 Adjustments between Account Basis and Funding Basis under Regulations	Usable Reserves General Fund £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustment primarily involving the Major Repairs Reserve						
Transfer of Depreciation to the Major Repairs Reserve	-	29,473	-	(29,473)	-	-
Additional Contributions from the HRA	-	-	-	-	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	46,110	-	(46,110)
Adjustments primarily involving the Pensions Reserve						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(70,219)	(9,689)	-	-	-	79,908
Employer's pensions contributions and direct payments to pensioners payable in the year	34,759	5,029	-	-	-	(39,788)
Adjustments primarily involving the Collection Fund Adjustment Account						
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	(32,010)	-	-	-	-	32,010
Adjustment primarily involving the Accumulated Absences Account						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,881)	(304)	-	-	-	2,185
Total Adjustments	**(19,836)**	**21,682**	**20,121**	**16,637**	**503**	**(39,107)**

2019/20 Adjustments between Account Basis and Funding Basis under Regulations	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
Amortisation of intangible assets	-	-	-	-	-	-
Capital grants and contributions applied	14,323	10,195	-	-	-	(24,518)
Income in relation to donated assets	-	-	-	-	-	-
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	-	-	-

2019/20

Adjustments between Account Basis and Funding Basis under Regulations	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*
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)
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**

14. Other Operating Expenditure

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

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Other Operating Expenditure	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
7,692	-	7,692	Levies	8,079	-	8,079
13,818	-	13,818	Payments to the Government Housing Capital Receipts Pool	3,720	-	3,720
9,288	(26,724)	(17,436)	Gains/Loss on the disposal of non-current assets	15,626	(11,402)	4,224
30,798	**(26,724)**	**4,074**	**Total**	**27,425**	**(11,402)**	**16,023**

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.

2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000	Financing and Investment Income and Expenditure	2020/21 Gross Expenditure £'000	2020/21 Gross Income £'000	2020/21 Net Expenditure £'000
30,959	-	30,959	Interest payable and similar charges	32,023	-	32,023
21,676	-	21,676	Net interest on the net defined benefit liability	20,858	-	20,858
-	(1,410)	(1,410)	Interest Receivable and similar Income	-	(1,323)	(1,323)
6,701	(5,147)	1,554	Income and expenditure in relation to investment properties and changes in the fair value	7,221	(4,942)	2,279
59,336	**(6,557)**	**52,779**	**Total**	**60,102**	**(6,265)**	**53,837**

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.

2019/20 Gross Income £'000	Taxation and Non Specific Grant Income	2020/21 Gross Income £'000
(93,882)	Council Tax Income	(96,724)
(123,018)	Business Rates Income	(65,634)
	Business Rates Top Up Grant	(2,798)
-	Revenue Support Grant	(24,459)
(18,486)	Non-ringfenced government grants	(85,161)
(235,386)	**Taxation and Non-Specific Revenue Grant Income**	**(274,776)**
(24,084)	Capital grants and contributions	(13,599)
(259,470)	**Total**	**(288,375)**

17. Property, Plant and Equipment

Movement in Property, Plant and Equipment - 2020/21	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 2020	**3,050,446**	**731,481**	**41,356**	**272,978**	**27,766**	**13**	**76,173**	**4,200,213**	**390,681**
Additions	61,172	7,054	5,746	6,350	-	-	20,244	**100,566**	68
Depreciation written out to Gross amount on revaluation	(26,633)	(25,311)	-	-	-	-	-	**(51,944)**	(8,602)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	243,592	412,584	-	-	-	180	-	**656,356**	43,398
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,053)	82,813	-	-	-	-	-	**79,760**	5,252
Derecognition - Disposals	(8,491)	-	(7,239)	-	(13,025)	-	-	**(28,755)**	(171)
Derecognition - Other								**-**	
Assets reclassified (to)/from Held for Sale and Investment Properties	(281)	-	-	-	-	-	(2,898)	**(3,179)**	(115)
Other movements in cost or valuation	13,716	4,679	-	(9)	(114)	-	(18,272)	**-**	
As at 31 March 2021	**3,330,468**	**1,213,300**	**39,863**	**279,319**	**14,627**	**193**	**75,247**	**4,953,017**	**430,511**
Accumulated Depreciation and Impairment									
As at 31 March 2020	**(2,748)**	**(40,035)**	**(24,900)**	**(117,074)**	**(3,227)**	**-**	**-**	**(187,984)**	**(16,711)**
Depreciation charge	(26,685)	(14,691)	(2,953)	(12,257)	-	-	-	**(56,586)**	(8,844)
Depreciation written out to Gross amount on revaluation	26,633	25,311	-	-	-	-	-	**51,944**	8,602
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	
Derecognition - Disposals	2,801	-	7,223	-	3,169	-	-	**13,193**	4
Derecognition - Other	-	-	-	-	-	-	-	**-**	
Assets reclassified (to)/from Held for Sale and Investment Properties	-	-	-	-	-	-	-	**-**	
Other movements in depreciation and impairment	-	-	-	23	(23)	-	-	**-**	
As at 31 March 2021	**1**	**(29,415)**	**(20,630)**	**(129,308)**	**(81)**	**-**	**-**	**(179,433)**	**(16,949)**
Net Book Value as at 31 March 2021	**3,330,469**	**1,183,885**	**19,233**	**150,011**	**14,546**	**193**	**75,247**	**4,773,584**	**413,562**

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									
(Restated) 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**	-
Depreciation written out to Gross amount on revaluation **	(26,665)	(16,665)	-	-	-	-	-	**(43,330)**	(7,459)
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 **	(17,404)	(2,361)	-	-	-	-	-	**(19,765)**	1,461
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									
(Restated) 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 to Gross amount on revaluation*	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**

The above table has been restated to separately disclose the depreciation written out on revaluation from the movement for the revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services.
*The description for this row has been amended from ‘Depreciation written out on revaluations recognised in the Surplus/Deficit on the Provision of Services’
** The depreciation written out to gross cost on revaluation has been disclosed separately and the Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services have been grossed up by the same amount.
This is a presentational change; there is no overall impact on the movements reported for Property, Plant and Equipment in 2019/20

Depreciation

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

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

Revaluations

The council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at current value is revalued at least every five years. Wilks, Heads and Eve LLP carried out valuations on behalf of the council in 2020-21 and assets were valued as at 31 March. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

Revaluations	Council Dwellings £'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	**-**	**58,801**	**19,234**	**150,010**	**14,546**	**-**	**75,245**	**317,836**
Valued at fair value as at:								
31 March 2021	3,330,469	1,123,335	-	-	-	193	-	4,453,997
31 March 2020	-	1,493	-	-	-	-	-	1,493
31 March 2019	-	123	-	-	-	-	-	123
31 March 2018	-	134	-	-	-	-	-	134
31 March 2017	-	-	-	-	-	-	-	-
Total Cost or Valuation	**3,330,469**	**1,183,886**	**19,234**	**150,010**	**14,546**	**193**	**75,245**	**4,773,583**

In the financial year 2020/21, the Council commissioned a full portfolio valuation by Wilks Head and Eve LLP (WHE), an external independent leading valuation specialist Chartered Surveying practice, to undertake the year-end asset valuation, in accordance with the RICS valuation standards, of the General Fund and Housing Revenue Account operational portfolio.

Previously, the valuations for accounting purposes were undertaken by qualified Charted Surveyors directly employed by the council on a 3-yearly rolling basis, in compliance with CIPFA Code of Practice standard which requires valuations to be carried out at intervals of no more than five years. These asset valuations were performed in accordance with the RICS standards set out in the RICS “Red Book” governing valuation practices.

The current valuation and historic valuations have adopted the same required principles however, there is a significant upward valuation movement reported as follows:

Revaluation Movement	Land £'000	Building £'000	Land and Buildings £'000	Land %	Building %	Land and Buildings %
Valuation Method						
Depreciated Replacement Cost	360,777	114,469	475,247	236	30	89
Existing Use Value	(14,261)	31,454	17,193	(21)	35	11

This is due to a combination of factors; including economic impact on build costs and market prices, different yield percentage rates used for existing use value assessments, change in estimation techniques used to derive land values in relation to depreciated replacement cost valuations, differing judgements and assumptions made by the valuer and used to calculate modern equivalent asset values in relation to building valuations.

In respect of the assets valued via Depreciated Replacement Cost (DRC) one of the main factors is the change in estimation techniques used to derive land values. The valuer considers two separate calculations; one for the developed land area and one for the undeveloped land area (if appropriate). The aforementioned approach has been adopted for all DRC valuations, albeit the most recent valuations represent the use of developed land values based on what it may cost to acquire each site in the prevailing market at the valuation date. The transactional data sets considered by the external valuer may differ to those previously available to the previous valuer at earlier valuation dates. The interpretation of this data is down to the independent valuer and their expertise in determining a suitable level of value adopted within the valuations.

The second key change is the assumptions made by the valuer and used to calculate modern equivalent asset values in relation to building valuations. Here the valuer bases their assessment on the cost to the Council of replacing the service potential of the assets. When looking at the building values the valuer considers the Gross Internal Area of the assets and then, in accordance with RICS guidance, applies an adjustment from the actual physical areas to reflect his views of matters such as obsolescence and other appropriate issues (if applicable) in arriving at the value. The prior year valuations have been conducted with valuer assumptions and estimations which are different to those completed in 2020/21 by WHE, although the estimations are in keeping with the relevant RICS guidance as published and it is important to state that both methods are deemed appropriate.

For those assets valued on Existing Use Value there are similar changes in valuation estimation by way of rental evidence adopted and applied where necessary in the valuers reaching their own opinions of value. The core data relied upon by way of floor plans and site boundary plans has been supplied to both valuers (unless material changes have occurred in which case updated data has been provided) and the different valuers have used their knowledge and resource base to determine appropriate levels of evidence as adopted across the valuations.

Due to the complexity of the valuations and the wide range of circumstances or characteristics of each asset valued it is not practicable to establish the amount of the effect of the change due to valuation approach.

Capital Commitments

As at 31 March 2021, 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 £116m. Similar commitments as at 31 March 2020 were £96m. The commitments are:

31 March 2020 *£'000*	Capital Commitments	31 March 2021 *£'000*
	Housing Commitments:	
61,531	New Builds	103,157
32,893	Major Works	10,468
	Other Commitments:	
1,530	Environment & Regeneration	1,030
95,954	**Total**	**114,655**

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:

2019/20 £'000	Investment Properties	2020/21 £'000
(2,333)	Rental income from investment property	(2,030)
2,329	Direct operating expenses arising from investment property	865
(4)	**Net (gain)/loss**	**(1,165)**

There are no restrictions on the council's ability to realise the value inherent in its investment property or on the council's right to the remittance of income and the proceeds of disposal.
As landlord, the council has contractual obligations to repair and maintain the exterior/structure of the building for certain investment properties as a condition of the lease.

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

2019/20 £'000	Movement in fair value of Investment Properties	2020/21 £'000
32,675	**Balance at start of the year**	**33,178**
	Additions	
1,637	Subsequent expenditure	-
(1,558)	Net gains/(losses) from fair value adjustments	(3,444)
423	Transfers (to)/from Property, Plant and Equipment	2,898
33,178	**Balance at end of the year**	**32,632**

Fair value measurements

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

Level 1	Level 2	Level 3	Fair value as at 31 March 2020	Fair Value Measurements	Level 1	Level 2	Level 3	Fair value as at 31 March 2021
£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000
-	33,178	-	33,178	Investment Properties	-	32,633	-	32,633
-	-	13	13	Surplus assets	-	193	-	193
-	-	-	-	Assets Held for Sale	-	281	-	281
-	**33,178**	**13**	**33,191**	**Fair value as at 31 March**	**-**	**33,107**	**-**	**33,107**

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 2020 £'000	Leased Assets	31 March 2021 £'000
	Property, Plant and Equipment:	
74,459	- Other Land and Buildings	92,605
2,257	- Community Assets	2,257
5,673	Investment Properties	5,448
82,389	**Total**	**100,310**

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 2020 £'000	Minimum lease payments	31 March 2021 £'000
	Finance lease liabilities (net present value of minimum lease payments):	
3	- Payable within one year	3
371	- Payable after one year	368
917	Finance costs payable in future years	893
1,291	**Total minimum lease payments**	**1,264**

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

Minimum Lease Payments	Finance Lease Liabilities 31 March 2020 £'000	Finance Lease Liabilities 31 March 2021 £'000	Minimum Lease Payments 31 March 2020 £'000	Minimum Lease Payments 31 March 2021 £'000
Not later than one year	3	3	27	26
Later than one year and not later than five years	13	13	106	106
Later than five years	359	355	1,158	1,132
Total	**374**	**371**	**1,291**	**1,264**

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 2020/21 contingent rents payable by the council in respect of finance leases totalled £0.37m (£0.37m in 2019/20).

Operating Leases

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

31 March 2020 £'000	Operating Leases (Lessee)	31 March 2021 £'000
183	Not later than one year	850
586	Later than one year and not later than five years	1,430
385	Later than five years	293
1,153	**Total**	**2,573**

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 2020 £'000	Operating Leases (Lessor)	31 March 2021 £'000
6,872	Not later than one year	5,653
24,654	Later than one year and not later than five years	25,737
34,508	Later than five years	24,258
66,034	**Total**	**55,648**

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. In 2020/21 the contingent rent recognised was deemed immaterial.

20. Private Finance Initiative and Similar Contracts

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

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

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

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

1. Housing PFI 1; a 30 year agreement, covering 2,348 dwellings, whereby the operator is required to achieve and subsequently maintain decent homes standard for the duration of the agreement. All tenants and leaseholders resident within the contracted stock retain the same rights as other council tenants. The Council has agreed performance standards with the contractor, which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and housing management. There is no allowance for the contract to be renewed or extended at the end of the contract period. All assets will remain in the ownership of the Council.
2. Housing PFI 2; a 16 year agreement, covering 4,124 dwellings, with similar conditions as above.
3. Street Lighting; an agreement for the design, build, maintenance and financing of new, refurbished and existing public lighting, associated equipment and apparatus over 25 years. There are currently over 11,600 street lighting units and over 4,200 items of illuminated street furniture. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the Council. The Council has agreed performance standards with the contractor which set out the targets that have to be achieved in terms of the service provision for repairs, maintenance and replacements. The Council has rights to use the specified assets for and the assets can also be used by 3rd parties with the agreement of both the Council and the PFI provider. The contract enables the PFI provider to allow advertising on specified assets. This is subject to agreement by the council with a revenue sharing arrangement in place.
4. BSF Phase I; design, build and facilities management of two schools over a 25 year term. The contract transfers the responsibility for maintenance and associated risk to the PFI provider and the ownership of assets remains with the Council. The Council determines what services are provided, to whom and at what price is charged to the service user. The project includes a comprehensive performance monitoring regime which consists of a number of KPI’s that must be delivered on, also a market testing agreement is in place to ensure value for money over the course of the contract. There is no allowance for the contract to be renewed or extended at the end of the contract period.
5. BSF Phase 2; a 25 year old agreement, covering two schools, with similar conditions as above.
6. Care Homes; 30 year agreement for the design, build, maintenance, operation and financing of residential care homes. The contract transfers the responsibility for maintenance and associated risk to the provider and the ownership of assets remains with the Council. The Council determines what services are provided and to whom, as it controls 100% of the care home beds. The rate to be paid is determined by the contractually agreed rates and uplifts, and the contract does not enable the provider to generate third party income. There is no allowance for the contract to be renewed or extended at the end of the contract period.

Details of the current schemes are as follows:

Service Concession Arrangements	Start Date	End Date	Total Value £ million
Street Lighting	June 2003	June 2028	48
Housing (1)	March 2003	March 2033	247
Housing (2)	Sept 2006	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 2019	**288,440**	**73,772**	**7,717**	**369,930**
Additions	-	-	-	**-**
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**
Net Book Value at 1 April 2020	**293,490**	**73,462**	**7,015**	**373,968**
Additions	-	68	-	**68**
Depreciation & Impairment	(6,182)	(1,961)	(702)	**(8,845)**
Revaluation	33,097	15,553	-	**48,650**
Disposal	(168)	-	-	**(168)**
Other	(115)	-	-	**(115)**
Net Book Value at 31 March 2021	**320,123**	**87,122**	**6,313**	**413,558**
Movement in liabilities resulting from PFI or similar contracts:				
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)**
Value at 1 April 2020	**(38,438)**	**(64,770)**	**(7,610)**	**(110,817)**
New liability incurred	-	-	-	**-**
Repayments made in year	11,850	2,625	669	**15,144**
Value at 31 March 2021	**(26,588)**	**(62,145)**	**(6,941)**	**(95,674)**

The projected payments under the agreements are as follows:

Contracted payments due within:		1 year £ '000	2-5 years £ '000	6-10 years £ '000	11-15 years £ '000	16-20 years £ '000
Care Homes						
	Liability	351	1,761	3,213		
	Interest	422	1,334	656		
	Service Charges	4,391	18,690	26,115		
Street Lighting						
	Liability	743	3,447	2,318		
	Interest	622	1,737	350		
	Service Charges	1,377	6,294	3,555		
Housing (1)						
	Liability	846	2,402	7,759	6,641	
	Interest	2,275	8,163	7,949	1,351	
	Service Charges	9,197	44,282	60,391	23,741	
Housing (2)						
	Liability	8,939				
	Interest	1,169				
	Service Charges	16,015				
BSF Phase 1						
	Liability	1,691	8,045	12,311	10,553	
	Interest	2,041	7,024	5,646	1,527	
	Service Charges	1,782	7,374	11,825	9,295	
BSF Phase 2						
	Liability	741	3,541	6,817	9,417	4,570
	Interest	2,358	8,697	8,612	4,934	630
	Service Charges	1,203	5,329	7,252	10,026	3,502

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.

2019/20 £'000	Capital Expenditure and Sources of Capital Financing	2020/21 £'000
709,315	**Opening Capital Financing Requirement**	**712,411**
	Capital Investment	
108,127	Property, Plant & Equipment	100,566
10,400	Investment Properties / REFCUS / Other	8,757
	Sources of Finance	
(30,112)	Usable Capital Receipts	(27,641)
(25,182)	Capital grants & Other contributions	(16,187)
(46,328)	Major Repairs Reserve	(46,112)
(161)	Capital expenditure charged in-year to revenue accounts	(11,306)
	Debt Repayment	
(1,893)	Statutory provision for the repayment of debt	(2,463)
(11,754)	Repayment of PFI / lease liabilities	(14,304)
712,411	**Closing Capital Financing Requirement**	**703,721**
	Explanation of Movements in Year	
(3,097)	(Increase)/ decrease in underlying need to borrow (supported by government financial assistance)	8,691
	Assets acquired under finance leases	
(3,097)	**(Increase)/ decrease in Capital Financing Requirement**	**8,691**

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.

<u>Financial Liabilities</u>

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

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

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

- cash and bank overdrawn
- finance leases detailed in Note 19
- Private Finance Initiative contracts detailed in Note 20
- trade payables for goods and services received

<u>Financial Assets</u>

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 2021 that are shown under 'cash and cash equivalents' in the Balance Sheet represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value. These form part of the council's portfolio of investments disclosed below.

Financial Instruments - Balances

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

Categories of Financial Instruments	Long-term 31 March 2020 £'000	Long-term 31 March 2021 £'000	Short-term 31 March 2020 £'000	Short-term 31 March 2021 £'000
Financial Assets				
At amortised cost:				
- Principal	5,767	742	90,019	151,723
- Accrued interest	-	-	433	374
- Loss allowance	(20)	(20)	-	-
At fair value through profit & loss:				
*- Equity investments elected FVOCI***	96	92	-	-
Total investments*	5,843	814	90,452	152,097
At amortised cost:				
- Principal	-	-	54,206	6,889
Total Cash and Cash Equivalents	-	-	54,206	6,889
Loans and receivables:				
- Trade receivables	9,693	8,315	69,978	100,822
- Loss allowance	(1,195)	(873)	(11,120)	(17,171)
Included in Debtors**	8,498	7,442	58,858	83,650
Total Financial Assets	**14,341**	**8,256**	**203,516**	**242,636**

* The total short-term investments include £397k (2019: £452k) representing accrued interest and principal repayments due within 12 months on long-term investments.
** The debtors lines on the Balance Sheet include £38,430k 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 2020	Long-term 31 March 2021	Short-term 31 March 2020	Short-term 31 March 2021
	£'000	£'000	£'000	£'000
Financial Liabilities				
Loans at amortised cost:				
- Principal sum borrowed	276,609	263,275	69,500	108,335
- Accrued interest	-	-	3,388	3,911
Total borrowings *	276,609	263,275	72,888	112,246
Loans at amortised cost:				
- Bank overdrawn	-	-	26,474	-
Total Cash Overdrawn	-	-	26,474	-
Liabilities at amortised cost:				
- PFI and finance lease liabilities	96,041	82,727	15,147	13,315
- Other	-	-	-	-
Total Other Long & Short Term Liabilities	96,041	82,727	15,147	13,315
Liabilities at amortised cost:				
- Trade payables	-	-	41,866	35,908
Included in Creditors**	-	-	41,866	35,908
Total Financial Liabilities	**372,650**	**346,002**	**156,375**	**161,469**

* The total short-term borrowing includes £37,246k (2019: £28,888k) representing accrued interest and principal repayments due within 12 months on long-term borrowing.
** The creditors lines on the Balance Sheet include £148,597k (2019: £84,408k) 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 2020/21 Code of Practice sets out specific accounting requirements for soft loans. The main soft loans consist of season ticket loans £47k, Cycle scheme loans £99k, gym membership loans £56k and home computer loans £750k. These loans are carried at nominal value in the Balance Sheet as they are due within ten months for the season ticket and gym membership loans, 12 months for the cycle scheme and two years for the computer schemes, thus the effect on the accounts is deemed to be immaterial. Similarly a 15 year loan for £100k to a charity is carried at nominal value in the Balance Sheet as it'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 2021	Fair Value 31 March 2020	Dividends 31 March 2021	Dividends 31 March 2020
	£000s	£000s	£000s	£000s
Islington Limited	-	-	-	-
Transform Islington Phase 1 Holdings Limited	-	-	23.0	25.3
Transform Islington Phase 2 Holdings Limited	-	-	27.0	10.1
Transform Islington Limited	91.7	96.4	6.0	3.9
Total	**91.7**	**96.4**	**56.0**	**39.3**

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	2020/21 Total	2019/20 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(25,540)	-	-	(25,540)	(28,110)
Impairment losses	-	(6,491)	-	(6,491)	(2,849)
Interest payable and similar charges	**(25,540)**	**(6,491)**	**-**	**(32,031)**	**(30,959)**
Interest income	-	1,256	-	1,256	1,329
Dividend income	-	-	66	66	81
Impairment loss reversals	-	-	-	-	-
Interest and investment income	**-**	**1,256**	**66**	**1,322**	**1,410**
Net impact on surplus/deficit on provision of services	**(25,540)**	**(5,235)**	**66**	**(30,709)**	**(29,549)**
Gains on revaluation	-	-	(5)	(5)	13
Impact on other comprehensive income	**-**	**-**	**(5)**	**(5)**	**13**
Net Gain/(Loss) for the Year	**(25,540)**	**(5,235)**	**61**	**(30,714)**	**(29,536)**

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 2021, 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 2021, 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 2021.
- 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 (Restated) 31 March 2020	Fair Value 31 March 2020	Balance Sheet 31 March 2021	Fair Value 31 March 2021
		£000s	*£000s*	*£000s*	*£000s*
Financial liabilities held at amortised cost:					
Long-term loans and shot-term from PWLB	2	230,245	306,268	230,244	305,677
Other long-term and short-term loans	2	75,202	75,527	69,783	71,156
Lease payables and PFI liabilities	3	111,188	161,681	96,041	149,816
Total		**416,635**	**543,476**	**396,068**	**526,649**
Liabilities for which fair value is not disclosed * & **		112,390		111,403	
**Total Financial Liabilities ** **		**529,025**		**507,471**	
Recorded on balance sheet as:					
Short-term creditors **		57,013		49,223	
Short-term borrowing		72,888		112,246	
Cash and bank overdrawn		26,474		-	
Long-term borrowing		276,609		263,275	
Other long-term liabilities		96,041		82,727	
**Total Financial Liabilities ** **		**529,025**		**507,471**	

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

The other long-term liabilities figure of £82,988k on the Balance sheet includes £260k Council tax liability which is not a financial instrument balance hence excluded from the above table

** Prior year figure has been restated to ensure consistency as per IFRS 9. The 19/20 figure was as below
Short-term creditors £15,147k

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 (Restated) 31 March 2020 £000s	Fair Value 31 March 2020 £000s	Balance Sheet 31 March 2021 £000s	Fair Value 31 March 2021 £000s
Financial assets held at fair value:					
Shares in unlisted companies	3	96	96	92	92
Financial assets held at amortised cost:					
Long-term loans to local authorities	3	5,089	5,052	-	-
Long-term loans to companies	3	707	799	691	829
TOTAL		**5,892**	**5,947**	**783**	**921**
Assets for which fair value is not disclosed * & **		211,559		250,108	
**TOTAL FINANCIAL ASSETS ** **		**217,451**		**250,891**	
Recorded on balance sheet as:					
Long-term debtors **		8,498		7,442	
Long-term investments **		5,843		813	
Short-term debtors **		58,858		83,650	
Short-term investments		90,452		152,097	
Cash and cash equivalents		53,800		6,889	
**TOTAL FINANCIAL ASSETS ** **		**217,451**		**250,891**	

* The fair value of short-term financial assets held at amortised cost, including trade receivables, is assumed to approximate to the carrying amount
** Prior year figure has been restated to ensure consistency as per IFRS 9. The 19/20 figures were as below
Long-term debtors £0
Long-term investments £5,843k
Short-term debtors £0

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 £30m in total can be invested for a period longer than one year.

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

Credit Rating	31 March 2021		31 March 2020	
	Long-term £'000	Short-term £'000	Long-term £'000	Short-term £'000
AA2	-	-	-	10,039
AA-	-	-	-	53,800
A1	-	-	-	15,089
A2	-	15,000	-	15,047
Unrated local authorities	-	136,700	5,000	50,219
Unrated private companies and other organisations (net of loss allowance)	726	59	747	58
Total	**726**	**151,759**	**5,747**	**144,252**
Credit risk not applicable *	92		96	-
Total Investments	**818**	**151,759**	**5,843**	**144,252**

*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 2021, £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 2020		31 March 2021	
		Gross receivable	Loss allowance	Gross receivable	Loss allowance
Public Sector Debtors					
Other Public Sector Debtors	0% - 100%	25,024	(983)	43,963	(2,571)
LBI Pension Fund	0%	1,270	-	1,615	-
Non-Public Sector Debtors					
Residential & Domiciliary Care	49%	6,152	(2,318)	6,716	(2,373)
Leaseholders: Major Works	10.5% - 95%	19,869	(1,333)	18,734	(1,026)
Housing Rents	0% - 95%	12,614	(6,562)	14,895	(8,319)
Other Non-Public Sector Debtors	0% - 100%	14,742	(1,119)	23,213	(3,756)
Total		**79,671**	**(12,315)**	**109,137**	**(18,044)**

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 £26.2m of the £42.7m balance is past 30 days from invoice date. The remaining £16.5m 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 2020 *£'000*	31 March 2021 *£'000*
Less than three months	14,939	28,869
Three to six months	1,981	3,272
Six months to one year	1,493	7,716
More than one year	920	2,797
Total	**19,333**	**42,654**

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 £661k (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 2020 £'000	Borrower	Exposure type	Risk exposure 31 March 2021 £'000
678	Buildings Schools for the Future (BSF) private companies as listed below -Transform Islington Phase 1 Holdings Ltd -Transform Islington Phase 2 Holdings Ltd -Transform Islington Ltd	Loans at market rates	661
50	Islington Ltd (iCo)	Loans at market rates	50
98	Highbury Roundhouse Association Ltd		90
826	**Total**		**801**

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
	£000s	£000s	£000s
Opening allowance 1 April 2020	(21)	(12,315)	(12,336)
Change in risk	-	(5,501)	(5,501)
Closing allowance 31 March 2021	**(21)**	**(17,816)**	**(17,837)**

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 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Less than one year	-	4,335	59,500	18,000	10,000	11,000	69,500	33,335
Between one and two years	4,335	8,668	19,000	10,000	10,000	-	33,335	18,668
Between two and five years	35,398	40,398	20,000	30,000	-	-	55,398	70,398
Between five and ten years	31,057	26,057	-	-	-	-	31,057	26,057
Between ten and twenty years	52,844	44,175	-	-	-	-	52,844	44,175
More than twenty years	103,976	103,976	-	-	-	-	103,976	103,976
Total	**227,610**	**227,609**	**98,500**	**58,000**	**20,000**	**11,000**	**346,110**	**296,609**
Accrued Interest *							3,388	3,911
Trade creditors *							41,866	35,908
Cash Overdrawn *							26,474	-
Total Carrying Amount							**417,838**	**336,428**

* 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 2021, the whole debt portfolio was held in fixed rate instruments.

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

	£'000
Increase in interest payable on variable rate borrowings	n/a
Increase in interest receivable on variable rate investments	n/a
Increase in government grant receivable for financing costs	n/a
Impact on the Provision of Services (surplus/deficit)	n/a
Share of overall impact debited/credited to HRA	1,071
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*	(36,867)

*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 2020	Short-Term Creditors	31 March 2021
£'000		*£'000*
	Public Sector Creditors	
33,685	GLA/MHCLG: Council Tax and Business Rates	63,941
6,547	HMRC: Tax	4,653
-	DWP: Housing Benefit Subsidy	2,380
1,919	MHCLG: Pooling of Capital Receipts	1,047
9,025	Other Public Sector Creditors	5,376
51,177	Total Public Sector Creditors	**77,397**
	Non-Public Sector Creditors	
12,289	Council Tax and Business Rates	11,333
15,147	Short-term lease liabilities	13,315
9,088	Receipts in Advance	44,011
5,733	Accumulated Absences	7,917
4,047	Capital Creditors	6,327
28,794	Other Creditors	24,649
75,097	Total Non-Public Sector Creditors	**107,552**
126,274	**Total Short-Term Creditors**	**184,949**

25. Debtors

31 March 2020 Gross Debt £'000	31 March 2020 Impairments for Doubtful Debt £'000	31 March 2020 Net Debt £'000	Debtors	31 March 2021 Gross Debt £'000	31 March 2021 Impairments for Doubtful Debt £'000	31 March 2021 Net Debt £'000
			Public Sector Debtors			
11,772	-	11,772	HMRC: VAT	15,325	-	15,325
1,270	-	1,270	LBI Pension Fund	1,615	-	1,615
90	-	90	Pension Fund Prepayments	-	-	-
25,024	(983)	24,041	Other Public Sector Debtors	45,813	(2,571)	43,242
			Non-Public Sector Debtors			
10,571	(7,953)	2,618	Non-Domestic Rates	22,026	(7,565)	14,461
24,914	(23,439)	1,475	Council Tax	26,528	(24,400)	2,128
16,083	(14,146)	1,937	Housing Benefit Overpayments	14,416	(13,101)	1,315
22,023	(20,061)	1,962	Parking Fines	29,321	(27,811)	1,510
6,152	(2,318)	3,834	Residential & Domiciliary Care	6,716	(2,373)	4,343
19,869	(1,333)	18,536	Leaseholders: Major Works/Service Charges	18,734	(1,026)	17,708
12,614	(6,562)	6,052	Housing Rents	14,895	(8,319)	6,576
2,797	-	2,797	Section 106 / CIL	-	-	-
3,213	-	3,213	Prepayments	1,843	-	1,843
14,742	(1,119)	13,624	Other Non-Public Sector Debtors	23,213	(3,756)	19,457
171,134	**(77,913)**	**93,221**	**Total Debtors**	**220,445**	**(90,922)**	**129,523**
161,441	(76,718)	84,723	Short term debtors	206,990	(90,049)	116,941
9,693	(1,195)	8,498	Long term debtors*	13,455	(873)	12,582

*All long term debtors in 2019/20 relate to leaseholder contributions to major works

26. Provisions

Provisions 2020-21	Insurance	Business Rate Appeals	Thames Water	Social Services Charges	Disrepair claims	Other minor	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	**14,245**	**15,949**	**-**	**785**	**612**	**1,881**	**33,472**
Additional provisions made in 2020/21	2,538	485	10,324	-	451	-	13,797
Amounts used in 2020/21	-	(500)	-	(110)	(295)	(911)	(1,816)
Unused amounts reversed in 2020/21	-	(5,981)	-	-	(256)	-	(6,237)
Balance at 31 March 2021	**16,782**	**9,953**	**10,324**	**675**	**512**	**971**	**39,217**

Analysis of Balance at 31 March 2021							
Settled within 12 months	4,456	9,953	10,324	-	512	971	**26,216**
More than 12 months	12,326	-	-	675	-	-	13,001
	16,782	**9,953**	**10,324**	**675**	**512**	**971**	**39,217**

Legal claims outstanding (Social Services Charges)

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

Thames Water

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

Business Rate Appeals

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

Insurance Provision

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

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

Insurance Fund	£'000
Employers' Liability	2,627
Public Liability/Tree Roots	7,451
Motor	993
Property and Miscellaneous	4,051
Adjustment for Aggregate Breaches	(850)
MMI Clawback	395
Pre-1992 Risk Issues	2,114
Total Funding Requirement as at 31st March 2021	**16,782**

27. Transfers to/from Earmarked Reserves

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

Transfers to/from Earmarked Reserves	Balance at 31 March 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£'000	£'000		£'000
General Fund				
Budget Risk and Insurance	17,396	(2,017)	10,047	25,426
Cemetery Trading Account	1,634	-	473	2,107
Housing Benefit	7,921	(7,921)	-	-
BSF PFI 1	4,979	-	783	5,762
CIL Strategic	4,664	(1,569)	596	3,691
CIL Neighbourhood	4,764	(351)	330	4,743
Core Funding (Formerly NNDR Smoothing)	7,723	(136)	33,878	41,465
Street Market	260	-	-	260
Budget Strategy	21,111	-	-	21,111
COVID-19	7,684	(7,684)	-	-
Public Health	2,123	(770)	-	1,353
Business Continuity	-	-	10,000	10,000
Care Experience	-	-	16,000	16,000
Net Zero Carbon	-	-	2,548	2,548
Social Care	-	-	5,985	5,985
General Fund Total	**80,259**	**(20,448)**	**80,640**	**140,451**
HRA				
PFI - Housing PFI I	5,510	-	-	5,510
HRA Tenants' Heating & Hot Water	1,487	-	200	1,687
HRA Risk Equalisation	83,892	(8)	428	84,312
HRA Total	**90,889**	**(8)**	**628**	**91,509**

- Budget Strategy reserve – This reserve provides one-off funding linked to the delivery of the medium-term Financial Strategy (e.g. transformation projects, 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 reserve helps to smooth the budgetary impact of PFI costs across financial years.
- Business Continuity - This reserve mitigates the risk of disruption to key council services and systems, including cyber security risks.
- Care Experience - This reserve provides for the potential direct and indirect costs of the non-recent child abuse support payment scheme, which is currently subject to consultation and approval.
- 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) reserve – This reserve is the balance of CIL funding available for infrastructure investment in future financial years.
- Net Zero Carbon - This reserve supports the delivery of the council's Net Zero Carbon programme.
- Core Funding (Formerly NNDR Smoothing) – This reserve comprises the one-off financial gain from the London Business Rates Retention Pilot Pool in 2018/19 and 2019/20, and up-front government grant received in 2020/21 to fund 2020/21 Collection Fund losses that will come out of future year budgets (due to Collection Fund accounting timing differences). The remaining balance not relating to

2020/21 Collection Fund losses has been set aside for risks around taxation income and government funding streams.

- Public Health – This reserve is the balance of ring-fenced public health grant funding carried forward to spend in future financial years.
- Social Care - This reserve mitigates mitigate significant uncertainty in social care demographic growth estimates.
- Street Markets – The council operates three street markets at Chapel Market, Whitecross Street and Exmouth Market. Under laws governing the operation of these markets, any surplus at the end of each financial year is carried forward through this reserve for the future costs of operating the markets.
- HRA PFI 1 Smoothing – This reserve helps to smooth the budgetary impact of PFI costs across financial years.
- HRA Risk Equalisation– This reserve mitigates against HRA financial pressures arising from legislative changes.
- HRA Tenants' Heating and Hot Water – This reserve allow us to manage a stable tenant charging policy by insulating tenants from the volatility of the gas market.
- 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.
- COVID-19 Reserve -This reserve (now zero) was set aside in 2019/20 in relation to the balance of general COVID-19 government grant received in 2019/20 that had not yet been applied at 31 March 2020.

28. Unusable Reserves

31 March 2020 £'000	Unusable Reserves	31 March 2021 £'000
1,016,704	Revaluation Reserve	1,660,158
2,316,657	Capital Adjustment Account	2,442,984
97	Financial Instruments Revaluation Reserve	92
(911,488)	Pensions Reserve	(991,468)
8,820	Collection Fund Adjustment Account	(23,189)
(5,734)	Accumulated Absences Account	(7,918)
2,425,054	**Total Unusable Reserves**	**3,080,657**

a) Revaluation Reserve

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

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

2019/20 £'000	Store of unrealised gains on revaluation of non current assets - Revaluation Reserve	2020/21 £'000
(1,005,028)	**Balance as at 1 April**	**(1,016,704)**
(94,709)	Gains on revaluations	(709,296)
11,608	Less Depreciation on revalued amounts	11,512
66,665	Less revaluation losses and impairments written off to previous gains	52,940
4,760	Less gains written out for disposed assets	1,390
(1,016,704)	**Balance as at 31 March**	**(1,660,158)**

b) Capital Adjustment Account:

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

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

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

2019/20 £'000	Capital Adjustment Account	2020/21 £'000
(2,284,074)	**Balance as at 31 March**	**(2,316,657)**
(30,112)	Capital Expenditure Financed from Usable Capital Receipts	(27,642)
(46,326)	Capital Expenditure Financed from the Major Repairs Reserve	(46,112)
(161)	Capital Expenditure Financed from Revenue Resources	(11,306)
(24,664)	Capital Expenditure funded by Grant	(16,186)
8,243	REFCUS Financing	8,756
20,012	Gains / Losses on revaluation of non-current assets	(79,760)
2,125	Impairments of non-current assets	-
57,618	Depreciation of PPE non-current Assets	56,586
(1,893)	Minimum Revenue Provision	(2,463)
(11,755)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(14,305)
(4,759)	Write out of Gains relating to Revalued Disposed Assets	(1,390)
9,139	Current Value of Disposed Assets	15,563
(11,608)	Write out of depreciation on revalued amounts (HCA)	(11,512)
1,558	Gains and losses on Fair Value of Investment Properties	3,444
(32,583)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(126,327)**
(2,316,657)	**Balance as at 31 March**	**(2,442,984)**

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.

2019/20 £'000	Financial Instruments Revaluation Reserve	2020/21 £'000
(84)	**Balance as at 1 April**	**(97)**
(13)	Upward revaluation of investments	5
(97)	**Balance as at 31 March**	**(92)**

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.

2019/20 £'000	Pensions Reserve	2020/21 £'000
(925,265)	**Balance at 1 April**	**(911,488)**
68,676	Actuarial gains or losses on pensions assets and liabilities	(26,441)
(93,343)	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	(70,895)
38,444	Employer's pensions contributions and direct payments to pensioners payable in the year	30,775
(911,488)	**Balance at 31 March**	**(978,049)**

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.

2019/20 Council Tax	2019/20 Non-Domestic Rates	2019/20 Total	Collection Fund Adjustment Account	2020/21 Council Tax	2020/21 Non-Domestic Rates	2020/21 Total
£'000	£'000	£'000		£'000	£'000	£'000
786	7,487	8,273	**Balance at 1 April**	1,022	7,798	8,820
(669)	(2,708)	(3,377)	Contribution to General Fund from previous year's (surplus) / deficit	(434)	(6,606)	(7,040)
905	3,019	3,924	Current year's collection fund surplus / (deficit)	(2,026)	(22,943)	(24,969)
1,022	**7,798**	**8,820**	**Balance at 31 March**	**(1,438)**	**(21,751)**	**(23,189)**

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.

2019/20		AccumulAbsences Account	2020/21	
£'000	£'000		£'000	£'000
	5,939	**Balance at 1 April**		**5,734**
	-	Business combinations		
(5,939)		Settlement or cancellation of accrual made at the end of the preceding year	(5,733)	
5,734		Amounts accrued at the end of the current year	7,917	
	(205)	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		2,184
	5,734	**Balance at 31 March**		**7,918**

29. Cash and Cash Equivalents

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

31 March 2020 £'000	Cash and Cash Equivalents	31 March 2021 £'000
(26,474)	Cash and Bank Overdrawn	-
53,800	Liquid investments	-
149	Cash held by the authority	80
257	Bank accounts	6,809
54,206	Cash and Cash Equivalents	6,889
27,732	**Total Cash and Cash Equivalents**	**6,889**

Further information on liquid investments is included in note 22.

30. Cash Flow Statement – Operating Activities

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

2019/20 £'000	Operating Activities Adjustments	2020/21 £'000
(41,778)	**Net Surplus or (Deficit) on the Provision of Services**	**61,557**
	Adjust net surplus or deficit on the provision of services for non cash movements	
57,618	Depreciation	56,586
22,136	Impairment and downward valuations	(79,760)
2,436	Increase/Decrease in Creditors	87,069
(17,158)	Increase/Decrease in Debtors	(19,621)
(1,064)	Increase/Decrease in Inventories	888
63,765	Movement in Pension Liability	22,173
243	Increase/(decrease) in impairment for bad debts	(322)
9,139	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	15,563
2,631	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	9,189
139,746	**Total**	**91,765**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(26,725)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(11,403)
9	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	22
(24,518)	Any other items for which the cash effects are investing or financing cash flows	(17,997)
(51,234)	**Total**	**(29,378)**
46,734	**Net Cash Flows from Operating Activities**	**123,944**

The cash flows for operating activities include the following items:

2019/20 £'000	Operating Activities (Interest)	2020/21 £'000
1,443	Interest Received	1,382
(13,249)	Interest Paid	(31,501)

31. Cash Flow Statement – Investing Activities

2019/20 £'000	Investing Activities	2020/21 £'000
(110,422)	Purchase of property, plant and equipment, investment property and intangible assets	(98,286)
(152,700)	Purchase of short-term and long-term investments	(293,700)
(8,938)	Other payments for investing activities	(16,539)
24,956	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	12,127
152,609	Proceeds from short-term and long term investments	237,000
29,545	Other receipts from investing activities	49,426
(64,950)	**Net cash flows from investing activities**	**(109,972)**

32. Cash Flow Statement – Financing Activities

2019/20 £'000	Financing Activities	2020/21 £'000
180,000	Cash receipts of short- and long-term borrowing	190,900
(12,475)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(15,146)
(127,112)	Repayments of short- and long- term borrowing	(165,400)
9,267	Other payments for financing activities	(45,169)
49,680	**Net cash flows from financing activities**	**(34,815)**

Reconciliation of Liabilities arising from Financing Activities	31-Mar-20 £'000	Financing Cash Flows £'000	Non Cash Changes £'000	31-Mar-21 £'000
Long-term borrowings	(276,609)	8,888	4,447	(263,274)
Short-term borrowings	(72,888)	(31,000)	(8,358)	(112,246)
Lease Liabilities	(688)	(30)	-	(718)
On Balance Sheet PFI Liabilities	(110,500)	15,176	-	(95,324)
Total Liabilities from Financing Activities	**(460,685)**	**(6,966)**	**(3,911)**	**(471,562)**

33. Contingent Liabilities and Assets

Legal claims pending settlement

There are 36 outstanding employment tribunal claims and 9 Special Educational Needs claims where the Council is the Respondent. A liability will arise if either the Council settles a claim and agrees to pay compensation, or the decision of the Employment Tribunal is in favour of the Claimant and the Council is ordered to pay compensation. The estimated maximum potential liability for these outstanding cases is £1.14m (employment cases) and £0.54m (education cases).

The Council has potential liability for damages and costs arising out of ongoing disrepair claims estimated at £467K.

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

The council has a potential liability of £1m in respect of waking watch costs incurred in respect of the residential flats at 253 Hungerford Road.

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.

Termination Benefits

The cost of termination benefits in 2020/21 is detailed in Note 8. Some further cuts to the council's workforce may take place over the medium term. The new senior leadership team structure was agreed prior to 31st March 2021 but the actual appointments, and therefore any potential termination costs, will take place in the New Year.

Contractual claims pending

The Council have underwritten the expected loss of income from 1 April to 30 October 2021 by Isledon CIC due to COVID-19 pandemic. Isledon are the outsourced provider of universal youth services. The value could be up to £285k.

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 2019/20, the company's net liabilities as at 31 March 2020 totalled £59k.

Contingent Assets

None known.

34. Events after the Balance Sheet Date

The Statement of Accounts 2020/21 was authorised for issue on 11 November 2021 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

On 14 October 2021, Islington Council's Executive approved, after a consultation period and process, a Support Payment Scheme (SPS) for persons who suffered emotional, physical, and sexual abuse whilst resident in the council's children's homes from 1966 to 1995. The SPS will enable abuse survivors to receive a financial support payment of £10,000 without having to bring a civil compensation claim. It has been designed to enable eligible applicants to receive a payment more quickly than having to go through the trauma of a lengthy civil compensation claims process. Although the SPS was being developed in advance of publishing the 2020/21 Statement of Accounts, the SPS was not yet agreed or consulted upon. The consultation period did not commence until 6 April 2021, concluding on 2 June 2021. It therefore represents a post balance sheet event as regards the 2020/21 Statement of Accounts.

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

An estimated maximum direct scheme cost of £20m has been provided for in Islington's budgeted reserves going forward. In considering the overall affordability of the scheme, consideration was given to the Council's budget and its reserves position. The Council has a balanced budget and does not presently anticipate a problem in balancing its recurrent income with its expenditure over the medium term. The Council intends to fund the SPS from its reserves. As at 31 March 2021, the total Council's Earmarked reserves stood at £140m. After accounting for ringfenced funds and timing differences, the Council held just below £92m. An SPS with an actual cost of £20m would reduce the Council's reserves by 21.7% to £72m.

35. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The council participates in two post-employment schemes:

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

The following disclosure notes have taken into account the McCloud judgement. For more details regarding the judgement, please refer to note 18 within the Pension fund accounts section on page 137.

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 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000
Comprehensive Income and Expenditure Statement				
Cost of Services				
Current service costs including admin. expenses	59,763	57,979	-	-
Past service costs including curtailments	11,904	1,071	-	-
Financing and Investment Income and Expenditure				
Net Interest Expense	20,392	19,796	1,284	1,062
Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	**92,059**	**78,846**	**1,284**	**1,062**
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)	82,475	(262,435)	-	-
Actuarial (gains) and losses arising from changes in demographic assumptions	(71,392)	(395)	(1,530)	(13)
Actuarial (gains) and losses arising from changes in financial assumptions	(54,916)	343,654	(344)	4,602
Changes in effect of Asset Ceiling	(377)	2,751	-	-
Other (if applicable)	(18,932)	(47,335)	(3,659)	(969)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**28,917**	**115,086**	**(4,249)**	**4,682**
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	(92,059)	(78,846)	(1,284)	(1,062)
Actual amount charged against the General Fund Balance for pensions in the year				
Employers' contributions payable to scheme	35,098	36,484	3,346	3,304
Retirement Benefits Payable to Pensioners	-	-	(3,346)	(3,304)

*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 20	31 March 21	31 March 20	31 March 21	31 March 20	31 March 21	31 March 21
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	***£'000***
Present Value of defined benefit obligation	(2,130,585)	(2,484,056)	(37,729)	(42,688)	(45,856)	(47,234)	**(2,573,978)**
Fair Value of Plan Assets	1,264,768	1,557,505	40,797	48,655	-	-	**1,606,160**
Impact of Asset Ceiling	-	-	(2,883)	(5,703)	-	-	**(5,703)**
Net liability	**(865,817)**	**(926,551)**	**185**	**264**	**(45,856)**	**(47,234)**	**(973,521)**

The total net liability of £960m 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 2020/21	Funded Liabilities Islington Council Pension Fund	London Pensions Fund Authority	Unfunded Liabilities Discretionary Benefits
	£'000	*£'000*	*£'000*
Balance as at 31 March 2020	**2,130,585**	**37,729**	**45,856**
Current service costs	56,551	106	
Interest cost	50,601	914	1,062
Contributions by scheme participants	12,473	22	-
Remeasurement (gains) and losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	-	(395)	(13)
Actuarial (gains) and losses arising from changes in financial assumptions	336,557	7,097	4,602
Other (if applicable)	(46,840)	(495)	(969)
Past service costs	119	-	-
Losses/(gains) on curtailment	952	-	-
Liabilities assumed on entity combinations	-	-	-
Benefits paid	(56,942)	(2,290)	(3,304)
Liabilities extinguished on settlements	-	-	-
Balance as at 31 March 2021	**2,484,056**	**42,688**	**47,234**

Reconciliation of present value of the scheme liabilities 2019/20	Funded Liabilities Islington Council Pension Fund	Funded Liabilities London Pensions Fund Authority	Unfunded Liabilities 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	-	-
Benefits paid	(55,117)	(2,460)	(3,346)
Balance as at 31 March 2020	**2,130,585**	**37,729**	**45,856**

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

Reconciliation of the Movements in the Fair Value of Scheme Assets 2019/20	Funded Liabilities		Unfunded Liabilities
	Islington Council Pension Fund	Londo Pension Fund Authorit	Discretionary Benefits
	£'000	*£'00*	*£'000*
Closing Fair Value of Scheme Assets as at 31 March 2019	**1,327,542**	**48,44**	**-**
Interest Income	31,661	1,06	-
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	-
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**	**40,79**	**-**

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 2021, discounted at the IAS19 discount rate as at 31 March 2021.

Reconciliation of Asset Ceiling 2020/21	London Pension Fund Authority
	£'000
Closing impact of Asset Ceiling as at 31st March 2020	**(2,883)**
Interest on Asset Ceiling	(72)
Actuarial (loss)/gain	(2,748)
Closing impact of Asset Ceiling as at 31st March 2021	**(5,703)**

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 2020 £000	31 March 2021 £000
Equities			
UK quoted	Y	172,032	155,746
Private equity	N	25,299	15,575
Global - North America	Y	240,337	280,347
Global - Europe	Y	144,202	264,772
Global - Japan	Y	25,299	31,150
Global - Pacific (ex Japan)	Y	37,948	31,150
Global - Emerging / Other	Y	88,545	77,874
Sub-total equities		**733,662**	**856,614**
Bonds			
UK other	Y	145,467	171,323
Sub-total bonds		**145,467**	**171,323**
Property			
UK	Y	206,943	233,622
Overseas	N	16,950	15,575
Sub-total property		**223,893**	**249,197**
Alternatives			
Class 1	Y	**155,587**	**202,473**
Cash			
Cash accounts	N	6,325	77,874
Sub-total cash		**6,325**	**77,874**
Total assets		**1,264,934**	**1,557,481**

Local Government Pension Scheme Assets (LPFA)	Quoted	Fair value of scheme assets 31 March 2020 £000	31 March 2021 £000
Equities			
Global	Y	17,176	20,437
Private equity	N	3,386	4,136
Sub-total equities		**20,562**	**24,573**
Bonds			
Total return quoted	Y	4,937	5,401
Fixed Income	Y	1,999	2,044
Sub-total bonds		**6,936**	**7,445**
Alternatives			
Infrastructure	N	2,856	4,039
Property funds	N	3,713	4,428
Cash	Y	3,345	3,747
Cash	N	367	487
Credit	N	3,019	3,941
Sub-total alternatives		**13,300**	**16,642**
Total assets		**40,798**	**48,660**

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 2019.

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	
	(Restated) 31 March 20	31 March 21	(Restated) 31 March 20	31 March 21	(Restated) 31 March 20	31 March 21
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	22.7	22.8	20.8	20.6	22.7	22.8
Women **	25.2	25.3	23.6	23.6	25.2	25.3
Longevity at 65 for future pensioners (in years):						
Men	24.2	24.3	22.8	22.6	n/a	n/a
Women **	27.1	27.2	25.9	25.9	n/a	n/a
Rate of inflation	2.2%	2.7%	1.9%	2.9%	2.2%	2.7%
Rate of increase in salaries *	3.6%	4.2%	2.9%	3.9%	0.0%	0.0%
Rate of increase in pensions	2.2%	2.8%	1.9%	2.9%	2.2%	2.8%
Rate of discounting scheme liabilities	2.4%	2.1%	2.5%	1.9%	2.4%	2.1%

*An adjustment has been made for short term pay restraint in line with the latest actuarial valuation. This did not impact the prior year actuarial calculation.
** Prior year women's mortality rates have been restated from 25.7 for current pensioners and from 27.6 for future pensioner following actuary advice. This did not impact the prior year actuarial calculation.

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)	75,713	(75,713)	3,305	(3,054)
Rate of inflation (increase or decrease by 0.1%)	40,406	(40,406)	511	(505)
Rate of increase in salaries (increase or decrease by 0.1%)	3,358	(3,358)	15	(14)
Rate of increase in pensions (increase or decrease by 0.1%)	40,406	(40,406)	511	(505)
Rate for discounting scheme liabilities (increase or decrease by 0.1%)	(39,768)	39,768	(524)	532

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 19 years. Funding levels are monitored on an annual basis. The triennial valuation was completed on 31 March 2019.

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 £28.9m in contributions to the LGPS and LPFA schemes in 2021/22.

The Council made a lump sum payment of £26.96m to the Pension fund in advance instead of paying the amount over a three year period to fund the deficit following the triennial valuation.

The weighted average duration of the defined benefit obligation for scheme members within LGPS is 16 years in 2020/21 (16 years in 2019/20), and within LPFA is 12 years in 2020/21 (12 years in 2019/20).

The authority is exposed to a number of risks:

<u>LGPS</u>

- 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.

<u>LPFA</u>

- 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 2021, the council owed LGPS £1m and LPFA £8k 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 2020/21 the council paid £11.9m to Teacher's Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £10m and 20.66%, respectively. The contributions due to be paid in the next financial year are estimated to be £11.9m. In addition, the council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2020/21 these amounted to £0.8m (£0.8m in 2019/20).

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 2020/21, £185.6k was payable by the council to the NHS Pension Scheme in respect of former NHS staff retirement benefits, representing an average rate of 16.26% of pensionable pay. The figures for 2019/20 were £132.6k and 14.38%, respectively.

37. Grant Income

The council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21:

Income from Grants, Contributions and Donations	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non-Specific Grant Income		
COVID-19	8,949	36,957
New Homes Bonus	5,051	5,269
Business Rates Relief Grant	9,556	36,401
Capital Grants	24,085	13,598
RSG	-	24,459
Other Non-specific Grants	4,486	10,426
Total	**52,127**	**127,111**
Credited to Services		
Dedicated Schools Grant	149,841	149,173
Housing Benefit Subsidy	166,305	156,962
Public Health Grant	25,238	26,563
Private Finance Initiative	32,907	32,937
Pupil Premium Grant	10,741	10,423
Additional Better Care Fund	1,820	1,820
Improved Better Care Fund	10,970	11,088
Asylum Seeker Grant	2,441	3,067
Flexible Homelessness	2,141	2,141
Sixth Form Funding	2,608	2,282
COVID-19 NCS	-	21,963
Other Grants and Contributions	24,773	32,593
Total	**429,785**	**451,012**
Total Grant and Contributions	**481,912**	**578,123**

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 2020 £'000	Grant Balances	31 March 2021 £'000
	Grants Receipts in Advance - Short Term	
	Revenue Grants	
(2,680)	Dedicated Schools Grant	(4,646)
(9,001)	Other government grants balances	(2,585)
(53)	Other contributions	(907)
(11,734)	**Total**	**(8,139)**
	Capital Grants	
(513)	Government grants	(20,423)
(5,080)	s106 contributions	(5,080)
(808)	Third party contributions	(533)
(6,401)	**Total**	**(26,036)**
	Grants Receipts in Advance - Long Term	
	Capital Grants	
(1,478)	Government grants	(551)
(22,740)	s106 contributions	(22,427)
(24,218)	**Total**	**(22,978)**

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 2020/21 are as follows:

Schools Budget funded by Dedicated Schools Grant	Central Expenditure	Individual Schools Budget	Total 2020/21	Total 2019/20
	£'000	*£'000*	*£'000*	*£'000*
Final DSG for 2020/21 before academy and high needs recoupment	-	-	186,209	181,672
Academy recoupment for 2020/21	-	-	35,204	32,998
Total DSG after Academy recoupment for 2020/21	**-**	**-**	**151,005**	**148,674**
Brought forward from 2019/20	2,680	-	2,680	3,780
Agreed initial budgeted distribution in 2020/21	**32,330**	**121,355**	**153,685**	**152,460**
In year adjustments	-	134	**134**	61
Final budget distribution for 2020/21	**32,330**	**121,489**	**153,819**	**152,521**
Less: Actual Central Expenditure	(27,684)	-	(27,684)	(29,070)
Less: Actual ISB deployed to schools	-	(121,489)	(121,489)	(120,770)
Plus: Local authority contribution for 2020/21	-	-	-	-
Carry-forward to 2021/22	**4,646**	**-**	**4,646**	**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 2021 (£31.0m as at 31 March 2020) 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

2019/20 £'000	Housing Revenue Account Income and Expenditure Statement	2020/21 £'000
	Expenditure	
37,219	Repairs and Maintenance	35,255
106,797	Supervision and Management	118,236
1,060	Rents, Rates, Taxes and Other Charges	1,087
-	Rent Rebates	-
28,885	Depreciation of non-current Assets	29,474
21,958	Gain or loss on Revaluation of non-current Assets	5,594
368	Debt Management Costs	295
196,287	**Total Expenditure**	**189,941**
	Income	
(152,531)	Dwellings Rents (gross)	(157,216)
(1,348)	Non-Dwellings Rents (gross)	(1,420)
-	Transfer from PFI Smoothing Fund	-
(43,780)	Charges for Services & Facilities	(41,686)
(816)	Transfers from General Fund - Communal Use	(816)
-	HRA Subsidy Receivable	-
(22,855)	PFI Government grant receivable	(22,855)
-	Revaluation and gain on non-current Assets	-
-	Contributions towards Expenditure	(143)
(221,330)	**Total Income**	**(224,136)**
(25,044)	**Net Cost of Services as included in the Comprehensive Income and Expenditure Statement**	**(34,195)**
2,452	HRA services' share of Corporate and Democratic Core	2,452
-	HRA share of non-allocated spec. services	-
(22,592)	**Net (Income) / Cost of HRA Services**	**(31,743)**

	HRA share of the operating income and expenditure included in the comprehensive Income and Expenditure Statement:	
(10,770)	Gain or loss on sale of property, plant & equipment	(5,093)
(171)	Gain or loss on sale of investment properties	(89)
-	Income and expenditure in relation to investment properties	-
343	Gain or loss on revaluation of investment properties	75
-	Net HRA Income or Expenditure on AMRA	-
23,850	Interest payable and similar charges	20,853
1,783	Movement in the allowance for bad debts	1,788
(10,195)	Capital Grants and Contributions receivable	(7,048)
(924)	Interest and investment income	(1,043)
(18,677)	**(Surplus)/Deficit for the year on HRA Services**	**(22,300)**

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.

2019/20 £'000	Movement on the HRA Statement	2020/21 £'000
(17,521)	**Balance on the HRA at the end of the previous year**	**(17,521)**
(18,677)	(Surplus) or Deficit for year on the HRA Income and Expenditure Account	(22,300)
5,463	Adjustments between accounting basis and funding basis under statute	21,680
(13,214)	**Net (Increase) or decrease before transfers to or from reserves**	**(620)**
13,214	Transfers to / (from) reserves	620
-	**(Increase) or decrease in year on the HRA**	**-**
(17,521)	**Balance on the HRA at the end of the current year:**	**(17,521)**

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

2019/20 £'000	Note on Reconciling Items for the HRA Balance	2020/21 £'000
	Adjustments between accounting basis and funding basis under statute	
(2,125)	Impairment of non-current Assets	-
10,195	Capital Grants received transferred to Grants Reserve	7,048
-	REFCUS	-
9,486	Repayment of PFI / lease liabilities	11,851
10,770	Gain or loss on sale of HRA non-current assets	5,093
(19,833)	Gain or loss on revaluation of council dwellings	(5,594)
(10,208)	Reversal of charges made for retirement benefits in accordance with IAS 19	(9,691)
-	Differences between interest payable and similar charges including amortisation of premiums and discounts	-
5,090	Employer's contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	5,029
(46)	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	(304)
(343)	Gain or loss on revaluation of investment properties	(75)
(128)	Capital Receipts funding of Disposal Costs	(101)
(28,885)	Transfer from Capital Adjustment Account equivalent to depreciation	(29,474)
-	Capital Expenditure funded by the HRA	8,424
31,489	Transfers to/(from) Major Repairs Reserve	29,474
	Transfer to / from earmarked reserves	
-	Transfer to/(from) PFI Smoothing Fund	-
(88)	Transfer to/(from) Tenants' Heating & Hot Water Reserve	200
13,302	Amounts transferred to/(from) HRA Reserve	420
18,677	**Net additional amount required by statute to be debited or credited to the HRA Balance for the year**	**22,300**

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 2020 *Nos*	Housing stock numbers	31 March 2021 *Nos*
22,776	Flats	22,829
2,464	Houses	2,470
25,240	**Total**	**25,299**

2. Value of Dwellings

The value of Council Dwellings as at 31st March 2021 was £3.33 billion (£3.048 billion at 31st March 2020). The basis of the valuation for these dwellings is "Existing Use Value for Social Housing" based on the vacant possession value of the properties, adjusted to reflect the occupation by a secure tenant. The vacant possession factor remained at 25% in 2020/21 which means that the vacant possession value of the dwellings within the HRA as at 31st March 2021 is £13.322 billion (£12.191 billion at 31st March 2020). 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 2020 *£'000*	Housing Stock - Value	31 March 2021 *£'000*
	Operational Assets	
3,047,698	Council Dwellings	3,330,469
	Other	
25,254	Other Land & Buildings	30,082
19,468	Infrastructure assets	19,131
2,919	Vehicles, Plant & Equipment	3,283
13	Surplus non-operational assets	193
3	Community Assets	3
1,364	Investment Properties	1,289
58,849	Assets under Construction	60,674
-	Assets held for Sale	281
3,155,568	**Total**	**3,445,405**

3. Major Repairs Reserve

2019/20 *£'000*	Major Repairs Reserve	2020/21 *£'000*
(36,748)	**Balance as at 1 April**	**(21,909)**
(28,885)	Transfer from HRA equivalent to HRA depreciation	(29,474)
(2,604)	Other transfer to/(from) HRA	-
46,328	Capital Expenditure on Dwellings	46,112
(21,909)	**Balance as at 31 March**	**(5,271)**

4. Capital Expenditure and Capital Receipts

The Council spent £84.5m on the housing stock in 2020/21 (£76.9m in 2019/20).
HRA capital receipts in year amounted to £10.8m of which £3.7m was paid to central government.

2019/20 £'000	HRA Capital Expenditure	2020/21 £'000
76,937	Works to HRA Dwellings / Other Properties	84,503
76,937	**Total**	**84,503**

2019/20 £'000	Capital Expenditure by Funding Source	2020/21 £'000
(19,982)	Usable Capital receipts*	(22,718)
-	Revenue Contributions	(8,424)
(46,328)	Major Repairs Reserve	(46,112)
(10,627)	Other	(7,249)
(76,937)	**Total**	**(84,503)**

2019/20 £'000	Summary of Capital Receipts	2020/21 £'000
2,931	Usable	7,064
13,818	Paid to the government Housing Capital Receipts Pool	3,720
16,749	**Total**	**10,784**

5. Depreciation

2019/20 £'000	Depreciation	2020/21 £'000
26,503	Council Dwellings	26,685
1,084	Other Land & Buildings	851
1,298	Infrastructure Assets	1,347
-	Vehicles, Plant & Equipment	591
28,885	**Total Depreciation**	**29,474**

6. Contribution to Pension Reserve
HRA share of the contribution to the Pension Reserve in 2020/21 was £4.7m (£4.8m in 2019/20).

7. Rent Arrears
Outstanding rent arrears as at 31 March 2021 were £12.3m. The amounts outstanding as at 31 March 2020 were £10.2m. During 2020/21, irrecoverable rent arrears of £0.59m were written off. The cumulative bad debt provision for rent arrears within the HRA account is £6.8m (£5.3m in 2019.20). The table below shows closing rent arrears for 2020/21 and 2019/20.

2019/20 *£'000*	Rent Arrears	2020/21 *£'000*
6,984	Current tenants	8,544
3,260	Former tenants	3,773
10,244	**Total**	**12,317**

Collection Fund Statement

The Collection Fund fulfils the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non Domestic Rates (NNDR).

Collection Fund expenditure for both council tax and NNDR was set (per regulations) as part of the 2020/21 budget setting process. Subsequently, the COVID-19 pandemic struck and had a substantial impact on collectable Collection Fund income. This included the impact of the expanded government business rates reliefs to properties within the retail, hospitality, and leisure sectors. Consequently, there is a substantial deficit in the Collection Fund at the end of 2020/21. The element of the Collection Fund deficit relating to expanded government business reliefs will be repaid by the billing authority (the council) and preceptors (the GLA and central government) in 2021/22, funded by up-front Section 31 grant received from the government. The exceptional element of the Collection Fund deficit not relating to expanded government reliefs will be repaid by preceptors over 3 years instead of the normal 1 year, and will be partially offset by compensation from the government's 75% Tax Income Guarantee scheme.

Income and Expenditure Statement

2019/20			Summary of Income and Expenditure Account as at 31st March 2021	2020/21		
Council Tax	Non-Domestic Rates	Total		Council Tax	Non-Domestic Rates	TOTAL
£'000	*£'000*	*£'000*		*£'000*	*£'000*	*£'000*
			Income			
(121,393)	(298,364)	(419,757)	Income collectable from Taxpayers (net of benefits, discounts for prompt payments and reliefs)	(126,935)	(227,543)	(354,478)
-	(8,622)	(8,622)	Business Rate Supplement Income	-	(6,725)	(6,725)
			Transfers from General Fund			
-	(8,131)	(8,131)	Transitional Relief	-	(1,803)	(1,803)
(121,393)	**(315,117)**	**(436,510)**	**Total Income**	**(126,935)**	**(236,071)**	**(363,006)**
			Expenditure			
			Precepts, Payments & Demands			
17	-	17	Lloyd Square	19	-	19
25,488	76,205	101,693	Greater London Authority	26,971	107,800	134,771
-	8,537	8,537	BRS Payments	-	6,621	6,621
92,977	135,476	228,453	London Borough of Islington	98,750	87,405	186,155
-	70,560	70,560	Payments with respect to Central Share	-	96,146	96,146
118,482	**290,778**	**409,260**	**Total Precepts & Demands**	**125,740**	**297,972**	**423,712**
			Collection & Admin Costs			
-	711	711	Costs of Collection	-	724	724
-	85	85	BRS Administrative Costs	-	104	104
			Other Transfers to the General Fund			
-	78	78	Renewable Energy Schemes	-	79	79
			Contributions			
			Towards previous year's Collection Fund Surplus			
669	2,707	3,376	London Borough of Islington	434	6,606	7,040
174	2,173	2,347	Greater London Authority	117	3,716	3,833
-	1,067	1,067	Central Government	-	951	951
			Bad and Doubtful Debts / Appeals			
90	294	384	Current Year Write Offs	41	367	408
-	14,671	14,671	Appeals Provision	-	1,616	1,617
1,668	2,210	3,878	Allowance for Bad Debts Provisions	3,743	11,687	15,430
121,083	**314,774**	**435,857**	**Total Expenditure**	**130,075**	**323,822**	**453,897**
(310)	**(343)**	**(653)**	**(Surplus) / Deficit for the Year**	**3,140**	**87,751**	**90,891**

			Collection Fund Account Reserves			
(991)	(13,415)	(14,406)	(Surplus)/Deficit brought forward	(1,301)	(13,757)	(15,058)
(310)	(343)	(653)	(Surplus)/Deficit for the year	3,140	87,750	90,890
(1,301)	**(13,758)**	**(15,059)**	**Closing Collection Fund Balance**	**1,839**	**73,993**	**75,832**

			Current Share of (Surplus)/Deficit			
(1,022)	(7,798)	(8,820)	London Borough of Islington	1,439	21,751	23,190
(280)	(4,387)	(4,667)	Greater London Authority	400	27,626	28,026
-	(1,572)	(1,572)	Central Government	-	24,616	24,616
(1,302)	**(13,757)**	**(15,059)**	**Total (Surplus)/Deficit c/f**	**1,839**	**73,993**	**75,832**

Notes to the Collection Fund Statement

C1. Council Tax

2020/21 Council Tax income is made up of the following elements:

2019/20 £'000	Council Tax Income	2020/21 £'000
(174,642)	**Gross Opening Charge**	**(182,977)**
	Less: Adjustments	
11,851	Exemptions	11,064
67	Disabled Relief	77
15,098	Discounts	15,813
(4)	Other Adjustments	-
26,237	Council Tax Support	29,088
(121,393)	**Income collectable from Taxpayers**	**(126,935)**

Council tax support costs in 2020/21 are net of £2,613k hardship grant funding received from the government towards the £150 Hardship Fund deductions awarded.

C2. Council Tax Base

The 2020/21 council tax base was 81,221 equivalent Band D properties (79,525 in 2019/20), which was used to calculate the Band D council tax of £1,547.88 (excluding Lloyd Square Garden area). The table below shows the number of properties in each band and the number of Band D equivalent properties after allowing for non-collection.

Bands	Chargeable No. of dwellings	Band Ratio	2020/21 Band D No. of dwellings	2019/20 Band D No. of dwellings
A	1,390	0.667	927	929
B	3,469	0.778	2,699	2,570
C	18,355	0.889	16,318	15,811
D	23,092	1.000	23,092	22,578
E	14,063	1.222	17,185	16,755
F	7,411	1.444	10,701	10,573
G	6,155	1.667	10,260	10,229
H	848	2.000	1,696	1,703
Total	**74,783**			
Total Band D Equivalents Dwellings			**82,878**	**81,148**
Budgeted Collection Rate			98.00%	98.00%
Council Tax Base			**81,221**	**79,525**

C3. Non-domestic Rates (NDR).
The council collects non-domestic rates for the local authority area that are based on commercial property rateable values set by the Valuation Office Agency multiplied by the business rates multiplier set nationally by government. The total rateable value at 31st March 2020 was £724m (£717m at 31st March 2020). The standard multiplier for 2020/21 was 51.2p (50.4p in 2019/20), and the Small Business Rate Relief multiplier for 2020/21 was 49.9p (49.1p for 2019/20).

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

2019/20 £'000	Business Rates (NDR)	2020/21 £'000
(368,203)	**Gross rates and empty rates due at the end of the year**	**(367,040)**
	Less allowance and adjustments:	
7,725	NDR Payable in respect of previous years	7,846
8,131	Transitional Protection Payments	1,803
26,078	Mandatory Relief	24,016
12,169	Unoccupied Property Relief	11,921
6,207	Retail Relief/Discounts ** (Note 1)	83,989
7,019	Small Business Rate Relief	8,491
1,000	Revaluation Relief	94
231	Supporting Small Business Relief	202
1	Pub Relief	31
1,275	Discretionary Relief	1,104
3	Interests	-
69,839	**Total Reliefs and Adjustments**	**139,497**
(298,364)	**Net Rates Payable After Reliefs and adjustments**	**(227,543)**

*Note 1: Major increase in costs is primarily due to the expansion of 100% relief schemes to retail, leisure and hospitality sectors in response to COVID-19 pandemic. The actual costs of expanded retail discounts however was reimbursed to billing and major precepting authorities under the Government's general fund grant scheme. Thus significant losses in the current year collection fund will partially be offset by the balance held in earmarked reserves in the future years. It is to be noted, this is unprecedented and losses also attributable to future uncertainty/challenges and overall reduction in collection rates, thus in recognition of this and as part of COVID-19 support package, authorities were also compensated for 75% irrecoverable losses in the council tax and business rates income in respect of 2020-21, under the Tax Income Guarantee Scheme. The current in year losses under the exceptional balance rule, have also been allowed to be repaid back over the period of three years instead of usual one year. ** The above figure includes nursery discounts.

C4. Business Rates Supplement (BRS) - Crossrail.
The BRS was levied by GLA on non-domestic properties with a rateable value of £70,000 or more.

The aggregate rateable value of properties liable for BRS on 31st March 2021 was £536m (£531m at 31st March 2020). The multiplier for the year was 2.0p, giving a possible BRS income of £10.7m.

After allowable adjustments, the collectable income from BRS payers for 2020/21 was £6.725m (£8.622m in 2019/20). The £6.621m (£8.537m in 2019/20) payable to GLA is net of £0.1m collection costs and other adjustments retained by the Council.

2019/20 £'000	Business Rates Supplement (Crossrail)	2020/21 £'000
(8,622)	**BRS Due At Year End**	**(6,725)**
	Less allowance and adjustments:	
-	Refund of overpayments	-
67	Losses in collection	86
67	**Total**	**86**
(8,555)	**Income due from Business Ratepayers**	**(6,639)**
18	Costs of Collection	18
(8,537)	**Total**	**(6,621)**

C5. Collection Fund Share of (Surplus)/Deficit

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

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

The council entered a NNDR pooling arrangement with all other London councils from 1 April 2018. Under this pooling arrangement the total amount collected, less reliefs and deductions, is divided between the council (30%), the Greater London Authority (37%) and the government (33%) in 2020/21.

Pension Fund

Fund Account

2019/20 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2020/21 £'000	Note
	Contributions receivable		
27,697	Employer contributions	29,104	7a
10,058	Deficit recovery contributions	28,037	7a
12,970	Members contributions	13,533	7b
5,452	Transfers in from other pension funds	5,021	8
2,647	Other Income	2,399	9
58,824	**Total Income**	**78,094**	
	Benefits payable		
(50,220)	Pensions	(50,422)	10
(10,217)	Lump sum benefits	(8,827)	10
(6,450)	Payment to and on account of leavers	(8,404)	11
(66,887)	**Total Expenditure**	**(67,653)**	
(8,063)	**Net additions/ (withdrawals) from dealing with members**	**10,441**	
(3,275)	**Management Expenses**	**(2,837)**	**12**
(11,338)	**Net additions/ (withdrawals) including fund management expenses**	**7,604**	

	Returns on investments		
17,948	Investment income	16,340	13
(24,534)	Change in market value (realised & unrealised)	281,099	
(6,586)	**Total Returns on investments**	**297,439**	

	Net return on investments		
(17,924)	Net increase/decrease in fund in year	305,043	
1,376,736	**Opening net assets of the scheme**	**1,358,812**	
1,358,812	**Closing net assets of the scheme**	**1,663,855**	

Net Assets Statement

2019/20 £'000	Net Assets Statement for the year ended 31 March 2021	2020/21 £'000	Note
	Investments		
1,342,734	Investment assets	1,638,824	14
13,457	Other Investment and Cash	23,294	14
1,356,191	**Total Investments**	**1,662,118**	
	Current Assets and Liabilities		
6,009	Current assets	4,195	16
(3,388)	Current liabilities	(2,458)	17
1,358,812	**Net assets of the scheme at 31 March**	**1,663,855**	

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 commitments £35.33m) and Standard Life (total commitments £49.2m). The fund has one fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II (total commitment £58.2m). The fund also has two Infrastructure managers, Quinbrook Infrastructure Partners (total commitment £48.7m) and Pantheon Access £72.7m. The fund managers have discretion to buy and sell investments within the constraints set by the Pensions Sub-Committee. Islington has funds that are managed by the London CIV, (see note 28). Islington Council is one of the 33 London Boroughs that oversees the operation of London LGPS CIV Ltd. The CIV has been established to facilitate the mandatory pooling of all London pension fund investments, which includes the Islington Pension Fund. A Joint Committee of London Councils who 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/about-the-fund

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
• **The Pears Family School**	• 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**	• Breyer Group
• **The Bridge Satellite Provision**	• Mears Ltd
• **The Bridge Integrated Learning Space**	• Greenwich Leisure Ltd
• **City of London Primary Academy, Islington**	• W J Catering
• **Clerkenwell Parochial CofE Primary School**	• Isledon Arts CIC
• **Hungerford Primary School**	• Pabulum
• **London Screen Academy**	• Alliance in Partnership
	• Bouyges ES FM UK Ltd.

c) Fund Membership

Membership of the Fund	Administering Body 2019/20 No's	Administering Body 2020/21 No's	Admitted Bodies 2019/20 No's	Admitted Bodies 2020/21 No's	Scheduled Bodies 2019/20 No's	Scheduled Bodies 2020/21 No's	Totals 2019/20 No's	Totals 2020/21 No's
Employees Contributing into the Fund	5,956	5,961	136	134	460	429	6,552	6,524
Pensioners	5,409	5,643	458	480	39	45	5,906	6,168
Widows/ Children's Pensions	913	918	49	53	5	5	968	976
Deferred Benefits	7,299	7,320	692	676	250	293	8,241	8,289
Totals	**19,578**	**19,842**	**1,335**	**1,343**	**754**	**772**	**21,667**	**21,957**

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

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

ii. Employers' contributions determined by the triennial actuarial review. The last review as at 31 March 2019, effective from 1 April 2020 fixed at 14.6% of pensionable payroll costs phased over 3 years (14.6% in 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 nineteen years. A lump sum contribution of £28.04m was made in 2020/21 (£10.05m in 2019/20). A 3-year discounted amount of £26.9m was paid in advance by the administering body included in deficit recovery contributions, (see note 7a)

iii. Upgraded Pensions relate to compensation payments (added years) made on redundancy or efficiency grounds, the index-linked increases thereon, and certain non-contributing service, which the council has treated as counting at full length in the payment of benefits. Income is transferred to the Pension Fund from the General Fund to offset these payments.

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

v. Transfers to and from the Fund and other organisations are permitted. Transfers within the local government scheme are on a year for year, day for day basis but in all other transfers the money received from the organisation is used to purchase an amount of reckonable service in the local government scheme.

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.

iii. 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

iv. 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 2020/21 financial year and its positions as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, 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 are accounted for on an accruals basis as follows:

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

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

b) Transfers

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

c) Investment Income

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

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

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

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

- **Foreign Currencies** - Foreign income has been translated into sterling at the date of the transaction. Foreign income due at the year-end has been translated into sterling at the rate ruling as at 31 March 2021.

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. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Derivative contracts' changes in fair value are included in change in market value. The fund hold forward exchange contract consists of an asset and liability

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 2020/21 is £67,967.69 and the estimated value of the fund as at 31 March 2021 is £1,488,635.03, the value is subject to change pending final valuation from the AVC providers.

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.

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:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from assumptions</th></tr>
<tr><td>Actuarial present value of promised retirement benefits.</td><td>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.</td><td>
<table>
<tr><th>Change in assumptions – year ended 31st March 2021</th><th>Approx % change in liabilities</th><th>Approx monetary value £m</th></tr>
<tr><td>0.5% p.a. decrease in discount rate</td><td>8% increase</td><td>£217m increase</td></tr>
<tr><td>0.5% p.a. increase in salary increase rate</td><td><1% increase</td><td>£13m increase</td></tr>
<tr><td>0.5% p.a. increase in inflation / pension increase rate</td><td>8% increase</td><td>£217m increase</td></tr>
<tr><td>1 year increase in member life expectancy</td><td>3% increase</td><td>£78m increase</td></tr>
</table>
</td></tr>
<tr><td>Private equity and Infrastructure investments</td><td>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.</td><td>Private equity and infrastructure investments are valued at £124m in the financial statements. These investments were valued as at the 31st March 2021.
These assets have been predicted a sensitivity range of 6.5 – 11.3% by the performance analytics. (See note 26).</td></tr>
<tr><td>Property and Pooled Property funds</td><td>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.</td><td>The total Property Funds are £258.494m (including pooled property). These assets were valued as at 31st March 2021.
Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property-based investments by 6.50% (See note 26).</td></tr>
</table>

6. Events After the Reporting Date

There have been no events after the reporting date that would have a material impact on these financial statements.

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	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council *	34,347	53,702	-	-	768	634
Scheduled Bodies						
St Mary Magdalene Academy	218	258	-	-	-	-
City of London Academy	150	152	-	-	-	-
The New North Academy	95	107	-	-	-	-
William Tyndale School	111	127	-	-	-	-
The Courtyard School	18	29	-	-	-	-
Tech City (Stem 6th form Academy)	7	-	-	-	-	-
Elliot Foundation	147	218	-	-	-	-
The Bridge School	447	542	-	-	11	
The Bridge Integrated Learning Space	53	74	-	-	-	-
Pears Family School Academy	14	24	-	-	-	-
City of London Academy Highbury Grove	285	327	-	-	-	-
City of London Academy, Highgate Hill	101	72	-	-	-	-
The Bridge Satellite Provision	24	60	-	-	-	-
City of London Primary Academy, Islington	15	20	-	-	-	-
Clerkenwell Parochial Academy	96	64	-	-	-	59
Hungerford School	76	61	-	-	15	
London Screen Academy	16	108	-	-	-	-
Sub-Total Scheduled Bodies	**1,873**	**2,243**	**-**	**-**	**26**	**59**
Admitted bodies						
Volunteering Matters(CSV)	160	-	-	-	-	-
Camden & Islington NHS Foundation Trust	70	51	-	-	-	-
Braithwaite	5	7	-	-	-	-
Pleydell	16	24	-	-	-	-
NCP Services (Islington South)	-	-	-	-	-	-
SSE Contracting Ltd (Islington Lighting)	13	-	-	-	-	-
Brunswick	28	31	-	-	-	-
Southern Housing Group	5	-	-	-	-	-
Caterlink	184	178	-	-	-	-
Engie Services Ltd(Cofely Workplace Ltd)	110	79	-	-	-	-
Breyer Group	4	-	-	-	-	-
Mears Ltd	32	12	-	-	-	-
Greenwich Leisure Ltd	69	47	-	-	-	19
WJ Catering	3	-	-	-	-	-
Isledon Arts CIC	8	7	-	-	-	-
Pabulum	3	-	-	-	-	-
Alliance In Partnership	22	33	-	-	-	10
Bouygues ES FM UK Ltd.	9	5	-	-	-	-
Sub-total Admitted Bodies	**741**	**474**	**-**	**-**	**-**	**29**
Totals	36,961	56,419	-	-	794	722

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

b) Members' Contributions

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

Contributions receivable - Members contributions	Normal Contributions (inc Added Years Contributions) 2019/20 £'000	2020/21 £'000
Administering Authority		
Islington Council	12,048	12,569
Scheduled Bodies		
St Mary Magdalene	105	112
City of London Academy	67	73
The New North Academy	31	29
William Tyndale School	31	33
The Courtyard School	12	15
Tech City (Stem 6th form Academy)	4	-
Elliot Foundation	135	141
The Bridge School	140	141
The Bridge Integrated Learning Space	31	34
Pears Family School Academy	7	9
City of London Academy Highbury Grove	76	76
City of London Academy, Highgate Hill	38	41
The Bridge Satellite Provision	11	18
City of London Primary Academy, Islington	8	7
Clerkenwell Parochial academy	13	11
Hungerford School	25	21
London Screen Academy	5	40
Sub-Total Scheduled Bodies	739	801
Admitted bodies		
Volunteering Matters (CSV)	-	-
Camden & Islington NHS Foundation Trust	7	7
Braithwaite	2	2
Pleydell	6	7
NCP Services (Islington South)	6	6
SSE Contracting Ltd (Islington Lighting)	5	5
Brunswick	8	8
Southern Housing Group	1	
Caterlink	54	51
Engie Ltd (Cofely Workplace Ltd)	36	34
Breyer Group	4	-
Mears Ltd	9	9
Greenwich Leisure Ltd	28	22
WJ Catering	1	-
Isledon ArtsCIC	3	3
Pabulum	1	-
Alliance In Partnership	9	8
Bouyges ES FM UK Ltd.	3	1
Sub-total Admitted Bodies	183	163
Totals	**12,970**	**13,533**

8. Transfers In

2019/20 £'000	Transfers in	2020/21 £'000
-	Group transfers in from other schemes	-
5,452	Individual transfers in from other schemes	5,021
5,452	**Total transfers in**	**5,021**

9. Other Income

2019/20 £'000	Other Income	2020/21 £'000
-	Income from Other Investments	-
-	Interest	-
2,647	Other	2,399
2,647	**Total other income**	**2,399**

Other income are pension recharges and miscellaneous fees.

10. Benefits

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

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	46,653	46,713	8,550	6,501	958	1,745
Scheduled Bodies						
St Mary Magdalene Academy	25	26	-	-	-	-
City of London Academy	61	58	107	137	-	-
The New North Academy	12	26	66	-	-	-
William Tyndale School	24	26	25	6	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	2	2	7	-	-	-
Elliot Foundation	-	-	-	-	-	-
The Bridge Integrated Learning Space	-	6	-	16	-	-
Pears Family School Academy	2	1	12	5	-	-
City of London Academy Highbury Grove	4	8	-	-	-	-
City of London Primary Academy, Islington	-	2	-	20	-	-
Hungerford School	8	8	54	-	-	-
Sub-Total Scheduled Bodies	**143**	**168**	**271**	**184**	**-**	**-**
Admitted Bodies						
Volunteering Matters (CSV)	1,287	1,292	153	105	13	-
Aquaterra	227	229	-	-	-	-
CEA	851	864	-	2	-	-
FSST	4	4	-	-	-	-
Kier Islington Ltd (Caxton)	588	603	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	72	73	-	-	-	-
ALA	21	21	-	-	-	-
Notting Hill Trust	22	15	19	-	-	-
Camden & Islington NHS Foundation Trust	89	87	78	-	-	-
Pleydell	6	13	89	-	-	-
SSE Contracting Ltd (Islington Lighting)	55	56	-	-	-	-
Brunswick	10	10	-	-	-	-
Southern Housing Group	3	9	8	-	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	33	33	-	-	-	-
London Property Maintenance	-	-	-	-	-	-
Caterlink	20	57	14	95	-	-
Engie Ltd (Balfour Beatty)	28	29	17	-	-	-
Kier Support Services	20	21	-	-	-	-
Breyers	12	8	47	-	-	-
Mears	16	16	-	-	-	-
Greenwich Leisure Ltd	22	63	-	195	-	-
WJ Catering	23	23	-	-	-	-
Isledon Arts CIC	-	-	-	-	-	-
Alliance In Partnership	3	3	-	-	-	-
Sub-total Admitted Bodies	**3,424**	**3,541**	**425**	**397**	**13**	**-**
Totals	**50,220**	**50,422**	**9,246**	**7,082**	**971**	**1,745**

11. Payments to and on Account of Leavers

2019/20 £'000	Payment to and on Account of Leavers	2020/21 £'000
171	Refunds of Contributions	79
6,279	Individual Transfer	8,325
6,450	**Total payments to and on account of leavers**	**8,404**

12. Management Expenses

2019/20 £'000	Management Expenses	2020/21 £'000
1,286	Administrative Cost (12a)	1,442
1317	Investment Management Expenses (12b)	983
672	Oversight and Governance Cost (12c)	412
3,275	**Total Management Expenses**	**2,837**

12(a) Administrative Expenses

2019/20 £'000	Administrative expenses	2020/21 £'000
967	Employee Cost	1,322
319	Support services	120
1,286	**Total administrative expenses**	**1,442**

All other costs of administration are borne by Islington Council.

12(b) Investment Expenses

2019/20 £'000	Investment Expenses	2020/21 £'000
1,278	Management Fees	941
39	Custody Fees	42
1,317	**Total investment management expenses**	**983**

12(c) Oversight and Governance Cost

2019/20 £'000	Oversight & Governance Cost	2020/21 £'000
35	Performance Management Services	35
384	Advisory Services Fees	242
133	Operation and Support	91
90	Actuarial Fees	19
25	Audit Fees	25
5	Legal Fees	-
672	**Total Oversight & Governance Cost**	**412**

13. Income from Investments

2019/20 £'000	Investment Income	2020/21 £'000
7,073	Dividends from equities	5,862
6,349	Income from other investments vehicles	5,967
4,488	Net rents from pooled investment properties	4,435
38	Interest on cash deposits	76
17,948	**Total Investment income**	**16,340**
-	Irrecoverable withholding tax	-
17,948	**Total Investment income**	**16,340**

14. Investments

Investments	Market value 01 Apr 20 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 21 £'000
Fixed interest securities	75			(2)	73
Indexed linked securities	115			(2)	113
Equities	122,986		(497)	30,442	152,931
Pooled investment vehicles (P.I.V)	876,038	81,079	(82,353)	242,633	1,117,397
Properties - P.I.V	256,643	32,338	(33,896)	3,409	258,494
Private Equity - P.I.V	23,342	140	(5,105)	(1,687)	16,690
Infrastructure - PIV	63,535	23,286		6,306	93,127
Total	**1,342,734**	**136,843**	**(121,851)**	**281,099**	**1,638,825**
Derivatives - Forward FX	-				(673)
Other Investment & Cash	13,457				23,966
Total Investments	**1,356,191**				**1,662,118**

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

Investments	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**

14(a)

Investment Assets by Type		2019/20	2020/21
		£'000	£'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		75	73
Total Fixed interest securities		**75**	**73**
Index -linked			
UK public sector quoted		115	113
Total Index -linked		**115**	**113**
Equities (valued at Bid Price)			
UK quoted		97,759	120,171
Overseas quoted		25,227	32,760
Total Equities		**122,986**	**152,931**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	111,742	112,421
	Other : Bond	155,012	166,461
Overseas Managed Funds	Other : Equity	150,026	207,277
	Property	20,119	14,896
	Other : Private Equity	23,342	16,690
UK Unit trusts (valued at Bid Price)	Property	124,782	131,173
	Other	571,000	743,663
Infrastructure Investment		63,535	93,127
Total Pooled investment vehicles		**1,219,558**	**1,485,708**
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding dividends & RWT		1,292	1,334
Derivatives - Forward FX		-	(673)
Cash deposits : Sterling		11,557	22,376
Cash deposits : Other		608	256
Total Other investment balances		**13,457**	**23,293**
Total Investment Assets		**1,356,191**	**1,662,118**

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

14(b)

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

Settlement	Currency Code Purchased	Asset Value	Liability Value
		£'000	£'000
3 Months	Euros		(40,496)
	Japanese Yen		(19,673)
	Pound Sterling	234,688	
	US Dollars		(175,192)
		234,688	**(235,361)**

Net Forward FX at 31 March 2021		(673)
Net Forward FX at 31 March 2020	-	

15. Investments exceeding 5% of net assets

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

Security	Market value 31 March 2021	% of total fund	Market value 31 March 2020	% of total fund
	£'000		£'000	
LBI Self-Managed UK quoted	120,171	7.2%	97,760	7.2%
London CIV Pooled - Newton MSCI All Country World	291,204	17.5%	211,891	15.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	166,462	10.0%	155,012	11.4%
Aviva Lime Property UK Unit Trust	131,173	7.9%	124,782	9.2%
Threadneedle Pooled Investment Property AREF IPD All Balanced	84,104	5.1%	82,680	6.1%
Legal & General Pooled Investment Vehicle	207,277	12.5%	150,026	11.0%
Schroders Pooled Investment Multi Asset	132,289	8.0%	106,480	7.8%
LGIM Pooled Investment Managed Funds	0	0.0%	75,839	5.6%
London CIV RBC EQ RBC Bmk	165,290	9.9%	112,364	8.3%

16. Current Assets

2019/20 £'000	Current Assets	2020/21 £'000
1,884	Contributions due from Employers & Employee	1,919
87	Sundry Debtors	60
4038	Cash Balances	2,216
6,009	**Total**	**4,195**

17. Current Liabilities

2019/20 £'000	Current Liabilities	2020/21 £'000
(1,049)	Accrued Benefits	(226)
(638)	Sundry Creditors	(548)
(1,701)	Accrued Expenses	(1,684)
(3,388)	**Total Current liabilities**	**(2,458)**

MERCER
MAKE TOMORROW, TODAY

18. Actuarial Position

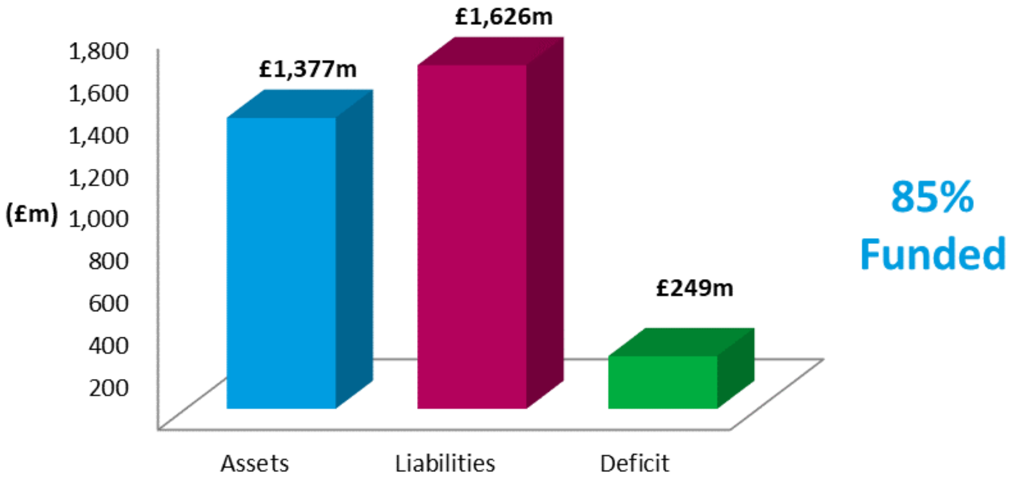
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 - STATEMENT BY THE CONSULTING ACTUARY

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

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

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



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

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

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

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

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

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

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

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

In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include an allowance for the estimated cost of the McCloud judgment. However, at the overall Fund level we estimate that the cost of the judgment could be an increase in past service liabilities of broadly £6 million and an increase in the Primary Contribution rate of 0.6% of Pensionable Pay per annum. Where the employer has elected to include a provision for the cost of the judgment, this is included within the secondary rate for that employer (and also within the whole Fund average secondary rate of £5.5 million per annum shown above).

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. Since then, 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 as a general rule but the Administering Authority is considering updates to the Funding Strategy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. There is flexibility within the Rates and Adjustments certificate for employers to opt to make additional contributions, for example where it is cost effective to do so or to support reduced risk. The position will kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

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

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

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4% p.a. at the prior year end). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. at the prior year end to 2.7% p.a. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £2,241 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£53 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£13 million (this includes any increase in liabilities arising as a result of early retirements/augmentations). There was also an increase in liabilities of £308 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £2,615 million.

GMP Indexation

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

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
June 2021

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. Confirmations were sent out and due to no response being received the prior year figures in addition to contributions paid have been used as an estimate.

2019/20 *Market Value* *£'000*	Additional Voluntary Contribution	2020/21 *Est. Market Value* *£'000*
1,164	Prudential	1,239
222	Utmost (formerly Equitable life)	173
81	Phoenix Life (formerly NPI)	77
1,467	**Total Additional Voluntary Contributions**	**1,489**

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2020/21.

22. Contractual Commitments

The fund has outstanding commitments totalling £55.8m as at 31 March 2021 (£93.5m at 31st March 2020). Two private equity fund managers Pantheon Ventures £4.03m and Standard Life £4.4m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £6.4m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £0m and £39.7m respectively.

23. Related Parties

Islington Pension Fund is administered by Islington Council. As at 31 March 2021, the Pension Fund is due from the Islington Council £0.062m (£0.320m~31 March 2020). Full contributions from the council for the year are disclosed in Note 7.

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

24. Key Management Personnel

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

2019/20 *£'000*		2020/21 *£'000*
(50)	Short-term benefits	(64)
(5)	Post-employment benefits	(7)
-	Termination benefits	-
(55)		**(71)**

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 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	174,748	16.40%	203,319	146,176
Overseas Equities	723,237	14.30%	826,371	620,104
Total Bonds	241,826	5.80%	255,949	227,703
Pooled Multi Asset	132,289	7.90%	142,793	121,786
Cash	21,707	0.70%	21,861	21,553
Property	258,493	2.00%	263,740	253,245
Infrastructure	93,128	7.20%	99,786	86,469
Private Equity	16,690	11.30%	18,576	14,804
Total Assets	**1,662,118**	**8.20%**	**1,798,998**	**1,525,238**

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

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**

Currency risk

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

Currency Risk(by asset class)	Final Market Value as at 31/03/21 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	723,237	6.50%	770,079	676,396
Overseas Private Equity	16,690	6.50%	17,771	15,609
Overseas Infrastructure	93,128	6.50%	99,159	87,096
Overseas property	14,899	6.50%	15,864	13,934
Total Assets	**847,954**	6.50%	**902,873**	**793,035**

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**

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 2021 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,509	25,254	25,764
Fixed interest securities	73	72	74
Total	**25,582**	**25,326**	**25,838**

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**

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 2021, liquid assets were £1,537m representing 92% of total fund assets (£1,269m at 31 March 2020 representing 94% 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 the Pension Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. The prior year figures have been restated as follows: financial assets totalling £591m that were previously classified as level 2 as at March 2020 have been reclassified as level 1, following a review of the funds.

Values at 31 March 2021	**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	920,742	631,558	109,818	1,662,118
Loans and Receivables	2,216	-	-	2,216
Total Financial Assets	**922,958**	**631,558**	**109,818**	**1,664,334**
Financial Liabilities				
Financial liabilities at fair value through profit and loss	-	(13)	-	(13)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	**-**	**(13)**	**-**	**(13)**
Net Financial Assets	**922,958**	**631,545**	**109,818**	**1,664,321**

Values at 31 March 2020	**Quoted Market Price (Restated)**	**Using Observable Inputs (Restated)**	**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 fair value through profit and loss	-	(3,388)	-	(3,388)
Financial liabilities at amortised cost	-	-	-	-
Total Financial Liabilities	**-**	**(3,388)**	**-**	**(3,388)**
Net Financial Assets	**133,930**	**1,138,005**	**86,877**	**1,358,812**

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, 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 2020 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Value at 31 March 2021 £'000
Private Equity - o/seas	23,342	140	(5,105)	(1,686)	16,691
Infrastructure - PIV	63,535	23,286	-	6,306	93,127
Derivatives	-	2,225	(11,194)	8,296	(673)
Total Level 3 Assets	**86,877**	**25,651**	**(16,299)**	**12,916**	**109,145**

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 - o/seas	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**

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	2019/20 £'000	2020/21 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	97,760	120,171
Overseas quoted - LBI self-managed	25,227	32,760
CASH DEPOSITS		
Sterling	4,182	6,187
Other	600	6,834
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,021	1,280
FIXED INTEREST		
UK	75	73
INDEX-LINKED		
UK	115	113
POOLED FUNDS		
UK	4,524	5,437
Total LBI In House Fund	**133,504**	**172,855**
Newton - London CIV		
POOLED FUNDS		
UK quoted	211,891	291,204
CASH DEPOSITS		
Sterling	92	11
Other	0	242
OTHER INVESTMENT BALANCES		
Outstanding Dividends	271	54
Total Newton	**212,254**	**291,511**
RCM		
CASH DEPOSITS		
Sterling	376	377
Other	9	7
Total RCM	**385**	**384**
Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	155,012	166,462
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	7,001	3,474
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	16,340	13,216
Aviva Lime Property		
UK UNIT TRUSTS		
Property	124,782	131,173
Threadneedle Pensions		
POOLED INVESTMENT: Property	82,680	84,104
Thesis		
POOLED INVESTMENT: Property	29,062	28,317
BNY Mellon		
CASH DEPOSITS : Sterling	6,906	8,976
outstanding fx trades	0	-673
Total BNY Mellon	**6,906**	**8,303**
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	150,026	207,277
Franklin Templeton		
Pooled Investment Global Property	20,119	14,899
Schroders		
Pooled Investment Multi Asset	106,480	132,289

BMO		
Pooled Investment Managed Funds	59,902	74,259
LGIM		
Pooled Investment Managed Funds	75,839	0
Pantheon Infrastructure		
Infrastructure	21,741	32,640
Quinbrook Infrastructure		
Infrastructure	41,794	60,487
RBC/ LONDON CIV		
POOLED FUNDS	112,364	165,290
M&G AOF		
Pooled Investment Managed Funds	0	75,178
Total Investment Assets	**1,356,191**	**1,662,118**

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 based on asset life (annuity) method and is applied to both 'supported' and 'unsupported' borrowing. This results in more even payments linked to average asset life. The average lives of the Council's assets funded by 'supported' and 'unsupported' borrowing are 50 years and 25 years respectively.

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