

IDeA financial statements for the year to 31 March 2014

Purpose of report

For decision.

Summary

The Board is asked to approve the IDeA's audited accounts for 2013/14.

A representative from the external auditors, PKF Littlejohn, will attend the meeting to present their report.

The Audit Committee is able to recommend the accounts for adoption to the IDeA Board, following their meeting with the external auditor on 3 June. The accounts are presented at **Appendix A**.

The attached report provides a commentary on the accounts and the IDeA's overall financial performance for the year.

Members are also asked to review the external auditors' report to the Leadership Board, which is included at **Appendix B**.

Recommendation

Members are asked to agree the statutory audited accounts for the IDeA for the year to March 2014.

Action

Head of Finance and Business Management.

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IDeA financial statements for the year to 31 March 2014

Background

1. The Board is asked to review and adopt the audited financial statements for 2013/14 for the IDeA which are presented at **Appendix A**.
2. The IDeA's financial statements have fed into the consolidated financial statements for the LGA. This is the third year for which consolidated financial statements have been prepared for the LGA and its related bodies. The aim is for all the company accounts that feed into the LGA's consolidated accounts to be adopted by the respective company boards in June, to ensure that a fully verified set of accounts is presented to the General Assembly on 8 July 2014.
3. Representatives of PKF Littlejohn, the appointed auditors, will be in attendance at the IDeA Board meeting. Their report on the audit of the LGA and all its associated companies is included at **Appendix B**.
4. The following paragraphs provide commentary on the information disclosed in the financial statements and highlight the most significant points.
5. Members of the Leadership Board and the individual company boards also receive a report of the observations of the Audit Committee which met on 3rd June with the external auditors to review all the final accounts. The Audit Committee's feedback to the IDeA Board is included below.

IDeA's Financial Statements

6. At the start of the financial year, following a decision taken by the LGA's Leadership Board and the IDeA Board, the operations of the Local Government Employers were merged with those of the IDeA.
7. IDeA made an operating surplus of £2.311 million in 2013/14. This profit translates into the overall surplus of £2.689 million shown in the financial statements by means of adjustments reflecting interest receivable, the dividend of £1.350 million from Geoplace and adjustments required to account for the pension scheme deficit.
8. The IDeA's pension deficit with the Camden Pension Scheme has increased by £19.204 million to £58.178 million, although the triennial valuation at 31 March 2013 saw a reduction in the pension deficit of £5.892 million to £33.082 million.

9. In line with FRS 17 accounting standards, the valuation in the accounts values assets at market value on 31 March 2014, and liabilities using a discount rate based on the return available on AA corporate bonds, also at the balance sheet date. This valuation is therefore subject to market performance on a specific date.
10. With the triennial valuation carried out at 31 March 2013, assets are valued according to the methodology set out in the Funding Strategy Statement of each LGPS fund; and liabilities are valued using an agreed discount rate based on the experience of the fund and assumptions over when gilt yields will return to more normal levels. While the FRS 17 valuation has an impact on the net worth of the LGA, as reported in the annual accounts, it is the triennial valuation that has a tangible impact on the LGA's finances, in that this valuation determines the level of additional contributions to each of the pension funds.
11. As reported at the last IDeA Board, as a result of the triennial valuation the IDeA's additional contribution is set to increase from £1,920k in 2013/14 to an annual average charge of £2,539 million for the three years from 2014/15, an average annual increase of £619k. This charge is calculated to ensure that the deficit is repaid over 15 years.
12. Overall, income decreased from £48.400 million to £40.958 million. This was mainly due to a reduction in government grants, including a reduction of £3.700 million in RSG topslice.
13. Expenditure on staffing has increased by 5 per cent compared with the previous year to £10.922 million. Average staff numbers employed were 176 as compared with 178 in 2012/13. Employee numbers have stayed broadly constant, reflecting a reduction in the number of core staff posts, which has been offset by the number of people taken onto employment contracts as opposed to personal services contracts in the grant-funded programmes.
14. The financial results in the audited accounts relate back to trading surplus of £1.651 million. The actual underspend has therefore increased from the projected £1.1 million underspend reported to the January Board meeting.
15. Other expenditure has been managed in line with budgets. An underspend on programme budgets was agreed at the start of the year in view of the need to adopt a prudent position given the continuing uncertainty about future funding and costs such as the additional pension contributions which were under negotiation during the year. This underspend has been achieved.
16. GeoPlace LLP traded ahead of plan and following the repayment of all of its loan funding ahead of schedule in 2012/13, paid a dividend of £1.350 million during 2013/14.

Representations

17. The Chairman on behalf of the IDeA Board is required to make various representations to the auditors that all matters relevant to the accounts have been properly disclosed. A draft of this letter is included at Appendix 5 of the external auditors report, and will be tabled at the meeting. As well as seeking general representations on matters such as the completeness of the information supplied for audit and the appropriateness of the accounting policies and accounting estimates used, the auditors are seeking a number of specific representations. The specific representation sought from the IDeA Board as the body responsible for management of the Idea resources is that:

- 17.1 With regard to the defined benefit pension scheme, the Board is satisfied that the actuarial assumptions underlying the valuation are consistent with their knowledge of the business and the scheme membership, active and retired.

Audit opinion

18. A representative of the external auditors, PKF Littlejohn, will be in attendance at the meeting. As part of the audit process, the auditors report to the Leadership Board with their observations on the audit. A copy of this report (the ISA 260 communication) is presented to the Board at **Appendix B**. This comments on the differences in figures that resulted in adjustments during the audit, on departures from generally accepted accounting practice and on recommendations for improvement of our financial management and reporting.

19. The report sets out in detail at Appendix 2 a number of matters that arose in the course of the audit, with suggestions for improvements in the controls and procedures operated by each entity. There were no issues reported for the IDeA.

Feedback from the Audit Committee

20. The LGA's Audit Committee met with the external auditors on 3rd June to review the consolidated accounts and the four sets of company accounts feeding into these accounts – IDeA, LGIH, LGA (Properties) Ltd and LGMB.
21. The Audit Committee identified the need for a small number of presentational changes which have now been made to the accounts.
22. The Audit Committee is therefore able to recommend the IDeA's consolidated accounts for adoption to the Board.

Recommendation

23. Members are asked to adopt the IDeA's audited financial statements for 2013/14.