

## **IDeA Financial Statements for the Year to 31 March 2015**

### **Purpose of report**

For decision.

### **Summary**

The Board is asked to approve the IDeA's audited accounts for 2014/15.

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 2 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 2015.

### **Action**

As directed by the Board.

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## **IDeA financial Statements for the Year to 31 March 2015**

### **Background**

1. The Board is asked to review and adopt the audited financial statements for 2014/15 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 30 June 2015.
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 2nd 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. IDeA made an operating surplus of £5.040 million in 2014/15. This profit translates into the overall surplus of £6.074 million shown in the financial statements by means of adjustments reflecting interest receivable, the dividend of £1.425 million from Geoplace and adjustments required to account for the pension scheme deficit.
7. The IDeA's pension deficit with the Camden Pension Scheme has increased by £17.178 million to £75.356 million.
8. In line with FRS 17 accounting standards, the valuation in the accounts values assets at market value on 31 March 2015, 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. The increase in liabilities in

the last year has mainly been driven by the falling Discount rate (expected long term investment return) meaning more money is needed now to pay future benefits.

9. As a result of the triennial valuation the IDeA's additional contribution is set to an annual average charge of £2,539 million for the three years from 2014/15. This charge was calculated to ensure that the deficit is repaid over 15 years.
10. Overall, income increased from £40.958 million to £41.498 million. This was due to an increase in charged services offset by a reduction in government grants.
11. Expenditure on staffing has increased by 5 per cent compared with the previous year to £11,499 million. Average staff numbers employed were 170 as compared with 176 in 2013/14. 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.
12. The financial results in the audited accounts relate back to trading surplus of £4.078 million. The actual underspend has therefore increased from the projected £2.485 million forecast underspend reported to the January Board meeting.
13. The main causes of the increase in underspend since January, are Workforce, Leadership & Productivity - £400k additional income, reduced shared charges for the rental costs of Local Government House, arising from the slippage in the refurbishment of Local Government House - £526k, and £320k recharge of PSAA costs.
14. GeoPlace paid a dividend of £1.425 million during 2014/15.

## **Representations**

15. 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:
  - 15.1 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**

16. 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.
17. 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**

18. The LGA's Audit Committee met with the external auditors on 2nd June to review the consolidated accounts and the four sets of company accounts feeding into these accounts – IDeA, LGIH, LGA (Properties) Ltd and LGMB.
19. The Audit Committee is therefore able to recommend the IDeA's accounts for adoption to the Board.

### **Recommendation**

20. Members are asked to adopt the IDeA's audited financial statements for 2014/15.