



AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

30 January 2023

SECOND DESPATCH

Please find enclosed the following items:

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Date : 25 January 2023



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Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 30th January 2023

Subject: Report of the External Auditor - Audit findings report

1. Synopsis

- 1.1 Following the commencement of the external audit in October 2022, Grant Thornton UK LLP is presenting an update report to the Committee. This update sets out their progress in delivering on their responsibilities as our external auditor. The report also includes a summary of emerging national and sector related issues which assist those charged with governance in the performance of their role.
- 1.2 Several areas of the audit are substantially complete (for example an initial report on Value for Money is with Management for review and work is almost complete on the Pension Fund). Despite this good progress and productive working between the auditor and the Council, the increased regulatory requirements and focus underpinning the external audit have meant that the audit will run beyond the date of this Committee.
- 1.3 Although disappointing to encounter a further delay, many Local Authorities currently find themselves in a position of not yet having 2020/21 accounts signed off, let alone 2021/22. Indeed, other Local Authorities within London have received letters from their auditors stating that their 2021/22 audit will not begin until after Summer 2023. This is in the context of a statutory date to complete the audit of 30 November 2022.
- 1.4 Within their progress update, the auditor states that they expect to bring their audit findings report to the March 2023 Audit Committee. The Council continues to prioritise work to support the achievement of this date.
- 1.5 No significant issues or concerns have been raised to date within the audit.

2 Recommendation

- 2.1 To note the Audit Progress Report.

3 Background

- 3.1 Each year the council's external auditor provides an opinion on the council's Statement of Accounts. The report presents to the Committee the key information that the external auditor feels appropriate to bring to your attention.

4 Implications

4.1 **Financial Implications:** None

4.2 **Legal Implications:** None

4.3 **Environmental Implications:** This report does not have any direct environmental implications.

4.4 **Equality Impact Assessment:** The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.5 A resident impact assessment has not been carried out since the contents of this report relate to a purely administrative function and there are no direct impacts on residents.

Appendices:

- **Appendix 1** – Islington Council Audit Progress Report and Sector Update

Background papers: None

Responsible Officer:

Dave Hodgkinson, Corporate Director of Resources
Paul Clarke, Director of Finance

25 January 2023

Report Authors:

Paul Clarke, Director of Finance

Legal Implications Author:

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Islington Council Audit Progress Report and Sector Update

Year ending 31 March 2022

January 2023
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

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This paper provides the Audit Committee and Audit Committee (Advisory) with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee and Audit Committee (Advisory) can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at January 2023

2021/22 financial statements audit update

Our final accounts visit started in mid October 2022. Your finance team provided us with a full set of financial statements as well as substantially most working papers that has enabled us to progress the audit as planned. In some areas, we experienced unexpected delays in receipt of working paper listings and queries on reconciliations between accounts. Most of these queries have now or are in the process of being resolved and we are selecting our audit samples for testing but this has impacted on the time taken to complete the audit.

The audit is in progress. As explained below, the statutory instrument in relation to Infrastructure assets came into effect on the 25 December 2022. This requires management to make adjustments to the initial draft accounts to ensure compliance. For that reason, alongside the ongoing audit issues, the original planned date of sign off on the 30 January 2023 will come too soon.

Achieving this for an organisation of your size and complexity, with a relatively lean finance team remains particularly challenging. You restructured your finance team during 2021/22 and expect to add more capacity during 2023. We have noticed an improvement in the performance of the team and hope that the increased capacity further enhances quality and responsiveness. We continue to work closely with management and relationships remain open and strong. The objective of both the finance and audit teams is to complete audit fieldwork no later than end of February. We will present our Audit Findings Report at the March 2023 Audit Committee and Audit Committee (Advisory).

Accounting for infrastructure

The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 requires infrastructure to be reported in the Balance Sheet at historic cost less accumulated depreciation and impairment and that where there is 'enhancement' to the assets, that the replaced components are derecognised. Where authorities are not fully compliant with these requirements, there may be a risk of material misstatement.

Many authorities do not possess the records to be able to fully comply with the requirements. Following extensive consultation and discussions with interested parties DLUHC lay before Parliament a Statutory Instrument by which simplifies accounting for infrastructure assets until the 2024/25 financial year, following which the CIPFA Code of Practice on Local Authority Accounting is expected to introduce longer term financial reporting requirements in this area.

Statutory Instrument 2022 No 1232 (England) - effective from 25 December 2022 effective 2 December, sets out two key elements:

- The local authority is not required to make any prior period adjustments (PPAs) in respect of infrastructure assets
- Where a local authority replaces a component of an infrastructure asset the carrying amount to be derecognised can be determined as nil or calculated in accordance with normal accounting practices specified in the CIPFA Code.

The issue is a technical accounting one and arises principally because of information availability relating to these assets. This is a material issue which impacts Islington Council as the Council draft report it holds over £148m of infrastructure assets as at 31 March 2022. The amendment to the regulation came into effect on 25 December 2022 and management are currently in the process of preparing revised accounts on that basis.

The Committee may wish to consider if the change above should be reflected in your Annual Governance Statement which is on today's agenda for approval. We will report the results of our review in the March 2023 Audit Findings Report.

Progress at January 2023

Value for Money

The new Code of Audit Practice (the “Code”) came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor’s Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required. The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor’s Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office had updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor’s Annual Report is now no more than three months after the date of the opinion on the financial statements.

We issued to management a draft Auditor’s Annual Report in December 2022 for comments. Our review did not identify any significant weaknesses in your arrangements. We made improvement recommendations which we are discussing with management.

The final report will be presented at the March 2023 Audit Committee and Audit Committee (Advisory) meeting.

Events

Each year, Grant Thornton host a series of Chief Accountant Workshop aimed at providing guidance to practitioners in the preparation of their annual financial statements. The workshops bring together practitioners across the sector to share best practice and discuss emerging issues. We have invited members of your finance team to these events that are scheduled to take place in February 2023.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee and Audit Committee (Advisory) a setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	May 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the March 2023 Audit Committee and Audit Committee (Advisory) .	March 2023	Not yet due
Auditors Report This includes the opinion on your financial statements including Pension Fund.	March 2023	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements. Draft report issued to Management for comments – December 2022.	March 2023	Not yet due (draft issued Dec 2022)

2021/22 Audit-related Deliverables	Planned Date	Status
Teachers Pensions Scheme – certification This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.	30 Nov 2022	Completed 6 Dec 2022
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	March 2023	Not yet due
Pooling of housing capital receipts - certification This is the report we submit to the Department for Levelling Up, Housing and Communities (“DLUHC”). based upon the mandated agreed upon procedures we are required to perform. (DLUHC are delaying the issuance of guidance to reporting accountants until Feb 2023 for 2022 returns)	TBC	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

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Public Sector

A dark purple rectangular button with the text "Local government" in white, sans-serif font, centered within the button.

Local
government

Local government procurement and contract management – Grant Thornton

More than a third of all UK government spending on goods and services is spent by local government, so it is important that councils have effective arrangements for procurement and contract management.

The sector's ongoing focus on efficiency and other priorities, such as net zero and local growth, mean that local government procurement has a real opportunity to make a difference to the wider government agenda.

Our latest review of auditor reports shows that not all councils have the right governance arrangements in place, or deploy the appropriate skills and resource. Where things go wrong there are potentially significant risks to public money and service delivery.

The analysis sets out five key themes for ensuring good practice:

- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management



Read the full report here:

[Local government procurement and contract management: Lessons learned | Grant Thornton](#)

Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a 'major' local audit and the FRC's report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

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The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either 'good' or 'generally acceptable', but one file 'required improvement'.

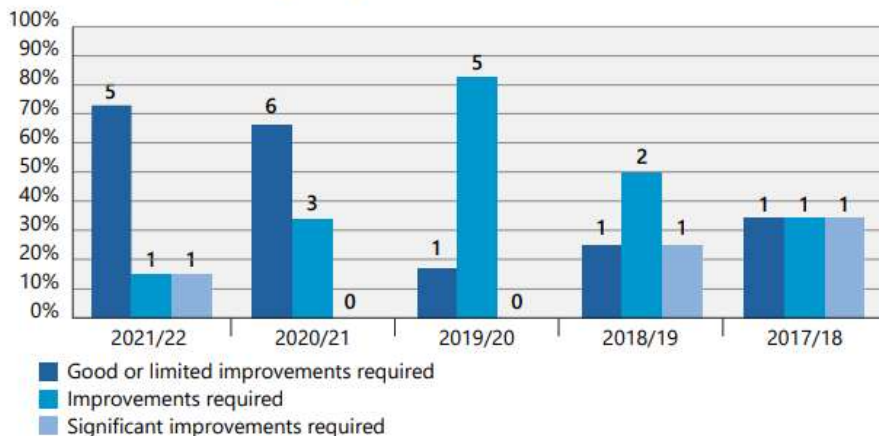
The ICAEW identified one of our files as requiring 'Improvement' – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years' review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams' work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts .

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

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Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

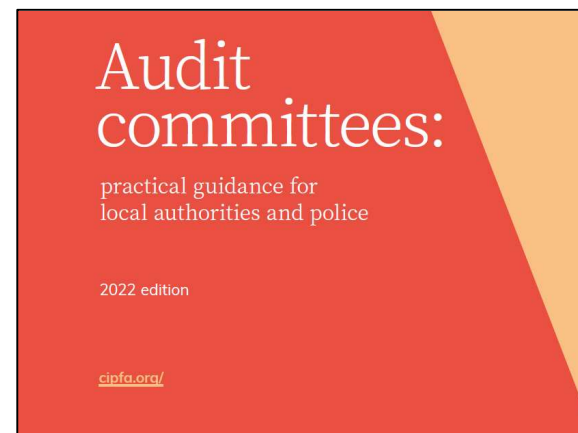
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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Report of: Chair of the Pensions Sub-Committee

Meeting of: Audit Committee

Date: 30 January 2023

Ward(s): None

Subject: Annual Report of the Pensions Sub-Committee 2022

Background

1. The governance of the Council's Pension scheme is shared between two committees:

- The fund's investments are managed through the Pensions subcommittee as a subcommittee of the Audit Committee. Its membership consists of 4 Councillors whose decisions are assisted by officers of the Council and a group of technical advisers, Mercers, MJ Hudson Allenbridge and PIRC.
- The administration of the pension scheme – payments, contributions, member recruitment and communication – are the responsibility of the Pension Board chaired by Cllr David Poyser. This is a statutory entity that includes representatives of the scheme member (pensioners and contributors) and representatives of employers (schools and "admitted bodies").

1.1 This report briefly summarises the work of the Pensions subcommittee, the Fund's recent performance and the activities undertaken to maximise the growth of the Fund's investments.

The Fund's financial performance

2. In the financial year 2021-22, the Fund performed well – showing an investment return of 8.6% compared to our customised benchmark of 8.3% for the 12 months to March 2022. This exactly matched the average of all other Local Authority funds. Our Fund's market value therefore increased from £1,660 million to £1,780 million. In the previous financial year, the Fund had performed even better – having made an annual return of 22.1%.

2.1 However, in early 2022, market conditions deteriorated significantly and the most recent 12 monthly period has been affected by economic uncertainty caused by the war in Ukraine and the consequent energy price shocks. As a result, our overall portfolio fell in value by 3.7% although this was rather better than our customised benchmark which fell by 6.5%.

Triennial actuarial valuation

3. The Fund is valued every three years by an independent actuary to estimate the Pension fund's value against its future liabilities. The most recent valuation in 2019 identified a significant long-term deficit. It showed there was a £249 million gap between the Fund's value and its liabilities. To bring the Fund into balance over a 19 year "recovery" period, the Council agreed to several changes including a rebalance of the Fund's asset allocations.

3.1 The latest actuarial valuation is almost complete and it indicates the scheme's previous deficit is reduced from £249 million to £79 million so the scheme has moved from being just 84% funded to 96% and, as a result, we are well positioned to achieve balance (100% funded or better) well within the remaining 16 years of the "recovery period".

Exposure to carbon intensive (oil, gas and coal) investment

4. In 2019, the subcommittee adopted a set of Environment, Social and Governance ("ESG") criteria as a central part of the Fund's strategy and its approach as a long-term investor. As a result we determined to reduce exposure to shareholdings in fossil fuel intensive companies' and set 3 targets to achieve by March 2022:

- Reduce future emissions of fossil fuel reserves owned by companies in the portfolio **Target: reduce by 75%; Achieved 79%);**
- Reduce exposure to carbon intensive, listed companies **Target: 50%; Achieved 43%**
- Invest a percentage of the Fund in sustainability-themed investments (such as low carbon technology or green infrastructure) **Target: 15%; Achieved 14%**

4.1 Recognising that these targets were relatively modest and at a risk of under-achievement, the subcommittee in June 2021 revisited the targets from 2022 onwards with a goal of reaching net zero emission by 2050 aligned with the "Paris" 1.5 degree Celsius scenario. The more comprehensive and exacting medium term targets from 2022 are now:

- Reduce carbon emissions of *all* listed portfolios (equities and credit) by 60% by 2030 (on a 2016 baseline)
- Invest a minimum of 20% of the fund in sustainability-themed investments by April 2026

4.2 In September 2022, the Fund rebalanced its equity holdings by reducing its shares in UK companies (thereby reducing our ownership of UK energy companies)

and by adopting a "Global Paris Aligned Index" for all "passively managed" equities. During the first week of September, the Council's pensions team with advisors executed a large transaction in which we sold UK shares in a FTSE based Index and acquired £164m in a new Paris Aligned Index fund.

4.3 The Fund will continue to decarbonise all other asset classes and to engage with investee companies to reduce their carbon footprint and reliance on fossil fuels. We continue to do this as a member of the Local Government Pension Scheme Forum.

ESG policy challenges

5. During the year, the Fund's policies have been subject to a number of public calls to reduce holdings of firms which may be engaged in ethically difficult sectors or practices:

- Industrial agriculture: we assured a campaign "Divest from Big Livestock" that Islington does not have holdings in livestock and soya production companies.
- Armaments manufacturer: the Fund had small holdings in a number of UK firms which were partly involved in military equipment manufacture although these accounted for only 0.15% of the overall pension fund's value
- Businesses operating in occupied Palestine: 55 local authorities have been identified as holding investments in firms active in the occupied territories. Islington is not one of them

5.1 In February 2022 we speedily reviewed all investments held in the Russian Federation. Following the military invasion of Ukraine, the UK, EU member states, USA, Canada and other nations introduced strict economic sanctions against Russia. Our Fund managers identified holdings valued at around £2.6m which were written-off thereby effectively divesting the Islington Pension Fund from all Russian interests.

5.2 During 2022 the Fund participated in collective shareholder actions to support campaigns led by ShareAction including:

- Lobbying FTSE 350 companies promoting "Living Hours" principles in their employment practises;
- Successfully campaigning to persuade Sainsburys to lift wages for all directly employed staff to achieve "real Living Wage" rate;
- Achieving a shareholder AGM resolution to make HSBC cease lending for coal extraction and burning; however the bank has very recently been exposed as providing a revolving loan to German energy company RWE which is very controversially digging an open cast brown coal mine.

Acknowledgement

6. Finally, on behalf of the subcommittee, I would like to thank our in-house pension administration staff, advisors and service providers for their support during the year.

Councillor Paul Convery
Chair of Pensions Sub-Committee

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