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Resources Department
Town Hall, Upper Street, London, N1 2UD

AGENDA FOR THE AUDIT COMMITTEE AND AUDIT COMMITTEE (ADVISORY)

Members of the Audit Committee and Audit Committee (Advisory) are summoned to a virtual meeting to be held by Zoom on **29 September 2020 at 7.00 pm.**

Linzi Roberts-Egan
Chief Executive

Link to the meeting: **https://weareislington.zoom.us/j/9950392649.**

Enquiries to	:	Mary Green
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Despatched	:	21 September 2020

Membership of the Committee is to be confirmed at Annual Council on 24 September 2020.

Quorum: is 3 Councillors

A.	**Formal Matters**	**Page**
1.	Apologies for absence	
2.	Declaration of substitute members	
3.	Declarations of interest	

If you have a **Disclosable Pecuniary Interest*** in an item of business:

- if it is not yet on the council's register, you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may **choose** to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you **must** leave the room without participating in discussion of the item.

If you have a **personal** interest in an item of business **and** you intend to speak or vote on the item you **must** declare both the existence and details of it at the start of the meeting or when it becomes apparent but you **may** participate in the discussion and vote on the item.

*(a) **Employment, etc -** Any employment, office, trade, profession or vocation carried on for profit or gain.
(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
(d) Land - Any beneficial interest in land which is within the council's area.
(e) Licences- Any licence to occupy land in the council's area for a month or longer.
(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to **all** members present at the meeting.

4.	Minutes of previous meetings	1 - 6
5.	Membership, terms of reference and dates of Audit Committee 2020/21 (to follow)	

C. **Urgent non-exempt items**

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. **Exclusion of press and public**

To consider whether, in view of the nature of the remaining item on the agenda, it is likely to involve the disclosure of exempt or confidential information within the terms of the Access to Information procedure rules in the Constitution and, if so, whether to exclude the press and public during discussion thereof.

E. **Confidential/exempt items**

F. **Urgent exempt items (if any)**

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next ordinary meeting of the Audit Committee and Audit Committee (Advisory) will be on 25 January 2021

London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 28 July 2020

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held via Zoom on 28 July 2020 at 7.00 pm.

Present:	**Councillors:**	Nick Wayne (Chair), Sue Lukes (Vice-Chair), Anjna Khurana and Andy Hull
Also Present:	**Independent members:**	Alan Begg and Nick Whitaker

Councillor Nick Wayne in the Chair

136 **APOLOGIES FOR ABSENCE (Item A1)**
None.

137 **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**
None.

138 **DECLARATIONS OF INTEREST (Item A3)**
None.

139 **MINUTES OF PREVIOUS MEETING (Item A4)**

RESOLVED:
That the minutes of the meeting held on 18 May 2020 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matters arising:
Minute 126 – External Auditor reports – in response to a question, the Corporate Director of Resources confirmed that there had been no important issues flagged up by the external auditors and that the final audit report would be available by the deadline of November 2020.

Minute 128 – Gender pay gap – The Chair reported that discussions had taken place between members about the appropriate committee for future consideration of the Gender Pay Gap report. It was likely that the Policy and Performance Scrutiny Committee would assume the focus for workforce issues in that report, with Audit Committee having an overarching view.

Minute 130 – 2020-21 Internal Audit Plan – In response to a request from the Chair for an update on progress of audits generally and whether there had been any negative impacts on work caused by the Covid19 pandemic, the Head of Internal Audit said that reports on Internal Audit were submitted twice a year, one in January and one in September. The annual Internal Audit report for 2019/20 was being compiled. Two new members of staff had joined Internal Audit in the past few months. Internal Audit work had not stopped due to Covid and the Internal Audit Plan was sufficiently progressed. However, audits on youth crime and domestic violence, which had been due in 2020, would have to be delivered in 2020/21, because of delays caused by the unavailability of staff in the People Directorate due to Covid19. Staff in Internal Audit had become fully engaged in front line work related to the Council's response to Covid19.

Alan Begg suggested that there be a standing item on Audit Committee agendas for Internal Audit reports.

RESOLVED:
That there be short standing items on all future Audit Committee agendas on i) the Risk Register and ii) Internal Audit, for the purpose of drawing the Committee's attention to particular items/matters occurring.

140 ANNUAL GOVERNANCE STATEMENT 2019 - 2020 (Item B1)

The following points were noted during discussion:

- Councillor Hull requested further information on the following:

a) Referring to paragraph 3.6.3 of the Annual Governance Statement (AGS), and the sentence "The Executive is responsible for the Council's most significant decisions,……" asked whether that wording was correct and how that related to Council responsibility for decisions?
b) Referring to paragraph 3.15.3 of the AGS, and "Councillor Calls for Action", he queried whether backbench councillors in particular were aware of this tool, since he did not think it was covered as part of Councillor induction training. He suggested that the profile of "Councillor Calls for Action" should be raised through training for Councillors.
c) Whether individual Executive Members carried legal responsibilities for functions within their portfolio?

- That proper contingencies were in place in the event that the Director of Law and Governance was not available to perform their duties. In such an instance, those duties fell to the Assistant Director of Law and Governance.
- The move to a "Quality Conversations" approach, to replace the annual appraisal for staff, was noted. In response to a question as to whether records were kept of these conversations, it was noted that there was no requirement to keep them for staff.
- A suggestion was made that it would be useful to have an evidence base of staff performance. It was anticipated that the new Director of Human Resources could take this up as part of a development approach for staff and supporting them to take on training opportunities.

- It was equally important to identify and nurture talent amongst existing staff, in order to identify how performance intersected with Council priorities.
- A range of data would be required to underpin these actions of inclusion, developing talented staff and investing in the Council as an organisation. This would involve a change in culture with in the Council
- The advertising of posts might be take place internally in the first instance, to allow staff opportunities before going out to general advertisement externally.
- Referring to paragraph 4.2 of the AGS, it was noted that the areas requiring improvement were not significant, and related to matters such as training and development, citizen engagement and staff wellbeing. None had been rated at the lowest level.

RESOLVED:

1. That the Annual Governance Statement at Appendix A to the report of the Corporate Director of Resources be approved
2. That the Corporate Director of Resources, in consultation with the Chair of Audit Committee, be authorised to approve minor amendments to the Annual Governance Statement to reflect any post balance sheet events predominantly related to Covid-19, prior to the signing of the final statement of accounts.
3. That it be noted that officers will report back on any amendments made to the Annual Governance Statement at a subsequent Audit Committee, together with a copy of any amended version of the Annual Governance Statement for the Committee's information.

141 THE INVESTIGATORY POWERS COMMISSIONER'S OFFICE INSPECTION UPDATE (Item B2)

RESOLVED:

That the outcome of the Investigatory Powers Commissioner's Office's inspection of the Council's surveillance activities and the necessary actions that the Council is required to take within the suggested timelines, as detailed in paragraph 5.8 of the report of the Corporate Director of Resources, be noted.

142 EXCLUSION OF PRESS AND PUBLIC (Item)

RESOLVED:

That the press and public be excluded during consideration of the following items as the presence of members of the public and press would result in the disclosure of exempt information within the terms of Schedule 12A of the Local Government Act 1972, for the reasons indicated:

Agenda item	Title	Reasons for exemption under Schedule 12A of the LGA 1972
E1	The Investigatory Powers Commissioner's Office inspection update - exempt appendices	Category 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

143 **THE INVESTIGATORY POWERS COMMISSIONER'S OFFICE INSPECTION UPDATE - EXEMPT APPENDICES (Item F1)**

RESOLVED:
That the contents of the exempt appendix be noted.

The meeting ended at 8.15 pm

CHAIR

London Borough of Islington

Audit Committee and Audit Committee (Advisory) - 13 August 2020

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held via Zoom on 13 August 2020 at 6.30 pm.

Present:	**Councillors:**	Nick Wayne (Chair), Sue Lukes (Vice-Chair), Anjna Khurana and Andy Hull
Also Present:	**Independent member:**	Alan Begg and Nick Whitaker

Councillor Nick Wayne in the Chair

144 APOLOGIES FOR ABSENCE (Item A1)

None.

145 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

146 DECLARATIONS OF INTEREST (Item A3)

None.

147 OUTCOME OF EXTERNAL INVESTIGATION AND ACTION PLAN: TRAFFIC AND PARKING (Item B1)

RESOLVED:
That the action plan drafted in the light of certain recommendations made in the course of the external investigation process into whistleblowing complaints, detailed in exempt appendix 1 of the report of the Monitoring Officer, be approved.

148 WHISTLEBLOWING COMPLAINTS - OUTCOME OF EXTERNAL INVESTIGATION AND ACTION PLAN (Item B2)

RESOLVED:
(a) That the contents of the report of the Monitoring Officer, detailing summary outcomes of the investigation into whistleblowing complaints, and set out in exempt Appendix 1 of the report of the Monitoring Officer, be approved.
(b) That the action plan drafted in the light of certain recommendations made in the course of the external investigation process into whistleblowing complaints, detailed in exempt appendix 2 of the report of the Monitoring Officer, be approved.

149 EXCLUSION OF PRESS AND PUBLIC

RESOLVED:
That the press and public be excluded during consideration of the following items as the presence of members of the public and press would result in the disclosure of exempt information within the terms of Schedule 12A of the Local Government Act 1972, for the reasons indicated:

Agenda item F1	Title	Reasons for exemption
	Outcome of external investigation and action plan: Traffic and Parking - exempt appendix	Category 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)
Agenda item F2	Whistleblowing complaints - Outcome of external investigation- exempt appendices	- Ditto -

Finance Department, 7 Newington Barrow Way, London, N7 7EP

Report of: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	29 September 2020		ALL

STATEMENT OF ACCOUNTS 2019-20 (INCLUDING PENSION FUND ACCOUNTS) AND AUDIT FINDINGS REPORT

1. SYNOPSIS

1.1 Islington is determined to achieve its vision of a "Fairer Islington". Significant amongst these is the achievement of sound financial management and confidence in this Council's financial future. This report sets out the Statement of Accounts for 2019-20. It demonstrates sound financial management and provides evidence to stakeholders that they should have confidence in the Council's financial future.

2. RECOMMENDATIONS

2.1 To approve the 2019-20 Statement of Accounts, Pension Fund Accounts and the accompanying Annual Governance Statement.

2.2 To note the auditor's Audit Findings Reports and Value for Money conclusion.

2.3 To agree the action plans of recommendations in the Audit Findings Reports.

2.4 To approve the letter of representation set out in Appendix B.

3. BACKGROUND

3.1 The purpose of this report is to report the outcome of the audit of the draft Statement of Accounts that were presented to the Auditors on the 3 July 2020 and the details of the Auditor's Audit Findings Report.

3.2 The Committee is required to approve the Statement of Accounts by 30 November 2020, including the accompanying Annual Governance Statement (as approved at the July Committee).

3.3 There is also the requirement that a general letter of representation on behalf of the Council's management be provided to the Auditor.

4. STATEMENT OF ACCOUNTS 2019-20

4.1 The Council is required to prepare financial accounts covering the period from 1st April to 31st March, each year. These statements have to be presented in the required statutory format, following the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code)*, which means that the financial information contained in the Statement of Accounts will be presented in a different way to how it is normally reported in financial monitoring reports.

4.2 This year's submission deadlines have been severely affected following the Covid-19 pandemic. The dates have been pushed back to allow enough time for both the Council and the Auditors to complete their respective tasks. The extra time has been welcome, especially when coordinating information required for the preparation of the accounts where staff and our external partners were busy trying to deal with the additional workload caused by the pandemic. The Council however, has risen to the challenge and is on track to be significantly ahead of the revised deadlines.

4.2 Between Monday 6th July and Friday 14th August, the accounts and supporting documentation were made available for public inspection. The above date later than in previous years due to the Covid-19 pandemic and was in compliance with the nationally specified social distancing requirements established by the government. During this period the Auditors have and will consider any questions or objections relating to the accounts. The relevant statutory public notice was published on the Council's website.

4.3 After several years of continuous major changes there were no major changes in accounting requirements or policies since the previous year.. The focus this year has been to deal with the Covid-19 challenges whilst trying to deliver a good set of accounts and supporting the auditors. The audit has shown that the Council has successfully managed these issues without impacting on the quality of the financial information.

Quality Assurance

4.5 As in previous years, the closing of accounts timetable, despite staff vacancies, had a process of internal quality assurance.

Highlights

4.7 The Statement of Accounts is a very complex document. In order to aid understanding, a presentation will be made setting out the key elements and highlights from the accounts.

4.8 The Statement of Accounts (including Pension Fund) are expected to receive a clean audit opinion from the Council's auditors. The Auditor has found the draft accounts submitted to audit to be on time and complete. Three changes have been made, two immaterial and one material. The first two immaterial adjustment relates to additional disclosures required for the uncertainty surrounding the valuation of property, plant and equipment (PPE) and investment properties following Covid-19. Similarly, the second immaterial adjustment relates to additional disclosures required for the uncertainty surrounding the valuations of the pension fund's private equity, infrastructure and pooled property investments due to Covid-19.

4.9 The material adjustment is due to a misclassification of £152.6m relating to disposal of short term investments on the cash flow and related notes in the draft accounts. This is a classification issue and the Accounts have been adjusted accordingly with no impact on the bottom line of the cash flow. The auditors were advised of the misclassification following an internal review and was not part of their audit findings.

4.10 No other material adjustments are proposed to the Council's Accounts.

4.11 The Auditors are also reporting that supporting working papers supplied during the audit were of a high quality and Council officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.

4.12 The Statement of Accounts should be formally published with the audit opinion at the end of September and a copy will be circulated to members of the Audit committee.

5. AUDIT FINDINGS REPORT

5.1.1 The Auditor's draft Audit Findings Reports for the year ended 31 March 2020 are attached at Appendix A. They summarise the findings of the 2019-20 audit, which is substantially complete albeit with some queries remaining at the time of writing. The auditors have advised that the outstanding queries are not significant and should not be problematic.

5.1.2 The Auditor will attend the meeting of the Committee to present his findings and update the Committee on any matters that may have arisen since the publication of his report. The key elements of the report are summarised below.

Value for Money Conclusion

5.2 The Auditor intends to issue an unqualified conclusion that the Council has adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

Management Representation Letter

5.3 It is a requirement of the International Auditing Standards for the Auditors to request a letter from the Council that sets out various representations. Appendix B sets out a draft of the letter that will be signed by the Council's Statutory 151 Officer and Chair of the Audit Committee on behalf of the Council's management. If there is any material change to the letter prior to its signing and communication to the Auditor, this will then need to be reported to the Committee.

Adjusted Amendments

5.4 Apart from the cash flow misclassification adjustment (detailed in paragraph 4.9), the Audit Findings Report should confirm that only very minor presentational or immaterial adjustments were made to the Statements.

Recommendations

5.6 The auditor has made a number of recommendations to further improve system controls. The Council has accepted all of these and believes it can address them in a timely manner.

6. IMPLICATIONS

Financial Implications

6.1 These are contained within the body of the report.

Legal Implications

6.2 The Council must keep adequate accounting records and prepare an annual statement of accounts (3(3)) Local Audit and Accountability Act 2014). The Accounts and Audit Regulations 2015 (SI 2015/234) set out detailed requirements for the preparation, approval and publication of the statement of accounts. The Coronavirus amendments to timetable (SI 2020/404) extend until 30th November 2020 the deadline to publish the statement of accounts and supporting documents (together with any certificate or opinion of the local auditor) in relation to the financial year beginning on 1st April 2019.

Environmental Implications

6.3 There are no direct environmental implications.

Resident Impact Assessment

6.4 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.

A Resident Impact Assessment has not been carried out in this instance, since the production of the Statement of Accounts is a legal requirement.

7. CONCLUSION

7.1 The significant effort of all concerned in producing the statement of accounts and supporting the audit has been rewarded with a clean audit sign-off and an encouraging Audit Findings Report. The Audit Committee can be confident that the Council is well positioned to continue to report its financial activities and address the recommendations made by the auditors.

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Appendices

A Audit Finding Reports 2019-20
B Letter of Representation
C Statement of Accounts 2019-20 including Pension Fund Accounts
D Annual Governance Statement 2019-20

Background papers:
None

Signed by			
	Corporate Director Resources		Date September 2020

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DRAFT

The Audit Findings for Islington Council and Islington Council Pension Fund

Year ended 31 March 2020

September 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audits of the Islington Council ('the Council') and Islington Council Pension Fund ('the Pension Fund') and the preparation of the Council and Fund's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid - 19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council and Pension Fund.

The Council has faced extensive front-line challenges as a result of the pandemic such as administration of grants to businesses, closure of schools and car parks with additional complexities of reopening services under new government guidelines.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an Audit Plan addendum to management in April 2020. This was shared with the Audit Committee and Audit Committee (Advisory) in the papers for the meeting held on 18 May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.

Restrictions for non-essential travel have meant that Council, Pension Fund and audit staff have undertaken the accounts closedown and audit process remotely making use of remote access to financial systems and video conferencing, including screen sharing to verify information provided by the entity.

The financial statements were published and provided to the audit team on 03 July 2020.

No significant challenges were encountered in interactions between the Council and Pension Fund finance teams and the audit team as a result of remote working, although by its nature, remote working takes significantly longer than auditing on-site.

Challenges were also faced in obtaining third party information remotely from the Council's investment parties with the result that, at the time of writing, our audit work in respect of long and short term investments remains in its early stages.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council and Pension Fund's financial statements:

- give a true and fair view of the financial position of the Council and Pension Fund and Council and Pension Fund's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is being completed remotely during July-October. Our findings to date are summarised on pages 6 to 20. As at the date of writing there are no changes to the reported Total Comprehensive Income and Expenditure, although you advised us of a £152m material classification adjustment within the cashflow and related notes. The misclassification has no impact on your Cash and Cash equivalents balance at the 31 March 2020.

Your accounts have been prepared to a good standard. Amendments to the financial statements from the audit work to date are set out on page 39 in Appendix C. We raised three recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is well progressed and there are no matters of which we are aware that would require modification of our audit opinions (Appendices E and F) or material changes to the financial statements, subject to the outstanding matters outlined on page 5 of this report.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.

Our anticipated audit opinion for the Council will be unmodified. It will include an Emphasis of Matter, highlighting material uncertainties around the valuation of land and buildings, investment properties and Pension Fund assets attributable to the Council as at 31 March 2020 due to the Covid-19 pandemic.

Our anticipated audit opinion for the Pension Fund will be unmodified. It will also include an Emphasis of Matter, highlighting material uncertainties around the valuation of private equity, infrastructure and pooled property investments as at 31 March 2020, also due to uncertainties resulting from the pandemic.

Headlines - continued

Value for Money arrangements **(Council only)**	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of your value for money arrangements. We have concluded you have proper arrangements to secure economy, efficiency and effectiveness in your use of resources. Our findings are summarised on pages 23 to 32.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. Our work under the Code is well progressed and on course to issue our opinion in October but are unable to issue our completion certificate until: • the required procedures in respect of the WGA have been performed, and • the Pension fund annual report has been reviewed for consistency.

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Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council and Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Council and Pension Fund's internal control environments, including their IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our Audit Plan, as communicated to the Audit Committee and Audit Committee (Advisory) in May 2020, to reflect our response to the Covid-19 pandemic and its impact on the Council and Pension Fund's financial statements and the Council's value for money arrangements.

Conclusion

Our audit of the Council and Pension Fund's financial statements is well progressed and, subject to outstanding queries being resolved, we anticipate issuing unqualified audit opinions in the month following the Audit Committee and Audit Committee (Advisory) meeting on 29 September 2020, as detailed in Appendices E and F. As at the date of writing (16 September) the outstanding items include:

- awaiting responses from the Council's Pension Fund valuation specialists to enable us to complete the required audit procedures in respect of this risk;
- awaiting receipt of cashflow forecast to at least October 2021 and Management's going concern assessment;
- awaiting third party receipt of one outstanding investment and five borrowing balance confirmations from counterparties;
- reviews of journals, non-pay operating expenditure, debtors and business rates reliefs;
- finalisation of our review of the Council's property valuation, pension fund unfunded benefits, payroll disclosures, narrative report and Annual Governance statement,
- senior manager and engagement lead quality review of audit files and resolution of any arising queries;
- updating our review of events after the reporting date;
- receipt of management representation letters; and
- receipt and review of the final sets of financial statements.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

For the Council, materiality levels remain the same as reported in our Audit Plan.

For the Pension Fund, we have revised materiality levels from that reported in our Audit Plan due to a reduction in net assets for 2019/20 from the 2018/19 position.

	Council Amount (£'000)	Pension Fund Amount (£'000)
Materiality for the financial statements	16,500	13,500
Performance materiality	12,375	9,450
Trivial matters	800	675

Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
Covid – 19 The global outbreak of the Covid -19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council and Pension Fund	Audit procedures undertaken in response to the identified risk included: • working with management to understand the implications the response to the Covid -19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported as a result of Covid-19 specifically. The draft financial statements were provided on 03 July 2020; • liaison with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert; • evaluating the adequacy of the disclosures in the financial statements that arose in light of the Covid -19 pandemic; • evaluating of whether sufficient audit evidence could be obtained through remote technology; • evaluating whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ; • evaluating management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussion with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. The Council's property valuation specialists reported that valuations of land and buildings and investment properties were subject to 'material valuation uncertainty' as at 31 March 2020 as a result of the impact of the Covid -19 pandemic on market activity, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case. Management appropriately included an uncertainty disclosure in Note 5 to the Council's financial statements, and have updated the disclosure to include a sensitivity analysis as a result of audit challenge. In addition, the fund managers for the Pension Fund's pooled property investments and private equity and infrastructure investments declared material valuation uncertainties around the valuation of these investments on the same basis. This impacts upon both the valuation of investments in the Pension Fund accounts and the valuation of the net defined benefit liability in the Council's balance sheet. Management have agreed to include this uncertainty in Note 5 to the Pension Fund financial statements, and have included it in Note 5 to the Council financial statements, as appropriate. These disclosures will be referred to in our auditor's reports for the Council and Pension Fund respectively, in emphasis of matter paragraphs. These references do not constitute qualifications of the audit opinions. To date, no further issues have been identified which are required to be reported to those charged with governance. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.

Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted)	Council and Pension Fund	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In our audit plan we reported that having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we had determined that the risk of fraud arising from revenue recognition could be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Islington Council, mean that all forms of fraud are seen as unacceptable Therefore we did not consider this to be a significant risk for Islington Council or Islington Council Pension Fund. Our assessment remains consistent with that reported in our Audit Plan.
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. In particular journals, management estimates and transactions outside the course of business are areas susceptible to management override.	Council and Pension Fund	Audit procedures undertaken in response to the identified risk included: • evaluation of the design effectiveness of management controls over journals • analysis of the journals listing and determine the criteria for selecting high risk unusual journals • testing unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gaining an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions. To date, no material issues have been identified which are required to be reported to those charged with governance, subject to the resolution of outstanding matters set out on page 5. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report. We recommended in our 2018/19 Audit Findings Report a review of systems access to your financial systems to ensure super user access is restricted to appropriate persons and they are not involved in day to day operations such as approving manual journals. This would ensure separation of duties as we would typically expect such journals to be posted by the finance team. We note that system administrators with super user rights continue to have the ability to post manual journals. Our testing to date has identified three manual journals posted by system administrators. Further details on our follow up recommended can be found on pages 36 and 37.

Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
Valuation of land and buildings including council dwellings You revalue your assets as follows: • operational land and buildings on a rolling three-yearly basis • council dwellings based on a rolling five-year approach using underlying valuations of beacon properties; and • Investment Properties on a yearly basis. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£4 billion) and the sensitivity of the estimates to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value, or the fair value (for surplus assets), at the financial statements date where a rolling programme is used. Operational land and buildings are valued as at 1 April, and are updated to 31 March with reference to market assumptions given by the valuer at the end of the financial year. Similarly, council dwellings are valued as at 1 April and are updated to 31 March with reference to assumptions provided by the valuer at year-end that reflect changes in stock and house price indices. As the in-year valuations themselves are not at year-end, the risk of material misstatement is further increased. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	Council	Audit procedures undertaken in response to the identified risk included: • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluating the competence, capabilities and objectivity of the valuation expert • writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • engaging our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • testing revaluations made during the year to see if they had been input correctly into the Council's asset register • assessing the value of a sample of assets in relation to market rates for comparable properties. • testing a sample of beacon properties in respect of council dwellings to consider whether their valuation assumptions are appropriate and whether they are truly representative of the other properties within that beacon group. As discussed under 'Covid -19' above, the Council's property valuation specialists reported that valuations of land and buildings, including investment properties and council dwellings, were subject to 'material valuation uncertainty' as at 31 March 2020, as a result of the impact of the Covid -19 pandemic on market activity, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case. Management appropriately included an uncertainty disclosure in Note 5, and have updated the disclosure to include a sensitivity analysis as a result of audit challenge. This disclosure will be referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion. To date, no further issues have been identified which are required to be reported to those charged with governance. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.

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Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
Accuracy and presentation of the Private Finance Initiative (PFI) liabilities and associated disclosures You have six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, a Street Lighting scheme and a Care Homes scheme. The total liability relating to these schemes on the balance sheet was £135m as at 31 March 2019; the book value of associated assets was £514m. As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.	Council	Audit procedures undertaken in response to the identified risk included: • reviewing your PFI models and assumptions contained therein. • comparing your PFI models to previous year to identify any changes. • reviewing and test the output produced by your PFI models to generate the financial balances within the financial statements. • reviewing the PFI disclosures to assess whether they are consistent with the Code and the International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models. Our audit work is substantially complete. We have not identified any issue in respect of the identified risk.

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Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£916 million in the Council's balance sheet as at 31 March 2019) and the sensitivity of the estimate to changes in key assumptions.	Council	Audit procedures undertaken in response to the identified risk included: • updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluating of the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's w ork; • assessing the competence, capabilities and objectivity of the actuary w ho carried out the Council's pension fund valuation; • assessing of the reasonableness of the actuary's assumptions and calculations in-line w ith the relevant standards, including their consideration of the ongoing impact of the McCloud and Guaranteed Minimum Pension cases. • assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements w ith the actuarial report from the actuary; • undertaking procedures to confirm the reasonableness of the actuarial assumptions made by review ing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested w ithin the report; and • obtaining assurances from our audit of the Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements Material valuation uncertainties are attached to the valuation of private equity, infrastructure and pooled property investments in the Pension Fund accounts. Given that the majority of the Pension Fund's assets are attributable to the Council as the administering authority for the Fund, there is also a material uncertainty surrounding the valuation of the net defined benefit liability in the Council's balance sheet. Management have included a disclosure Note 5 to reflect the uncertainty. The disclosures w ill be referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion. To date, no material issues have been identified w hich are required to be reported to those charged w ith governance. Should any residual issues arise that require reporting, w e w ill do so before issuing our auditor's report.

Significant audit risks

Risks identified in our Audit Plan	Applicable to	Auditor commentary
Valuation of Level 3 Investments (Annual revaluation) The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£67 million) and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2020.	Pension Fund	Audit procedures undertaken in response to the identified risk included: • evaluating management's processes for valuing Level 3 investments • reviewing the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met • independently requesting year-end confirmations from investment managers and/or custodian(s) • for a sample of investments, testing the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciling those values to the values at 31 March 2020 with reference to known movements in the intervening period • in the absence of available audited accounts, evaluating the competence, capabilities and objectivity of the valuation expert • testing revaluations made during the year to see if they had been input correctly into the Pension Fund's asset register • where available, reviewing investment manager service auditor report on design effectiveness of internal controls. Our audit procedures in this area is substantially complete. No issues have been identified to date which are required to be reported to those charged with governance.

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Significant findings – other issues

This section provides commentary on issues and risks which were identified within our Audit Plan and during the course of the audit and a summary of any significant control deficiencies identified during the year.

Issue	Applicable to	Commentary	Auditor view
Completeness of non-pay operating expenditure and associated short-term creditors Non-pay expenditure on goods and services represents a significant percentage (63%) of your gross operating expenditure. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non-pay expenditure and associated short-term creditors as a risk requiring particular audit attention.	**Council**	Audit procedures undertaken in response to the identified issue included: • evaluating your accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set; • gaining an understanding of your system for accounting for non-pay expenditure and evaluate the design of the associated controls; • obtaining and testing a listing of non-pay payments made in April and May 2020 to ensure that they have been charged to the appropriate year.	Our audit work is substantially complete and there are no issues arising to date to draw to the attention of those charged with governance.
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	**Council**	Management disclosed in Note 3 to the financial statements the title, date of initial application and the nature of changes in accounting policy which would arise from IFRS 16 implementation.	Our audit work is substantially complete and there are no issues arising to date to draw to the attention of those charged with governance. For 2020/21, management will need to be in a position to provide a monetary estimate of the impact on assets, liabilities, income, expenditure and reserves of the transition to IFRS 16 to allow for auditor assessment of the adequacy of associated disclosures in the financial statements. We will review the estimated impact on the financial statements as at 31 March 2021 as part of the 2020/21 audit. As part of your on-going IFRS 16 preparations for implementing the standard, we would recommend you consider the following: • documenting your arrangements for ensuring the completeness of leases, and • considering the risk of impairment on lease asset values as at 1 April 2021 due to Covid - 19 and the level of uncertainty around the asset values.

Significant findings – other issues continued

Issue	Applicable to	Commentary	Auditor view
Actuarial Present Value of Promised Retirement Benefits The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£2.3 billion) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.	**Pension Fund**	Audit procedures undertaken in response to the identified issue includes: • updating our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessing the competence, capabilities and objectivity of the actuary who carried out the Fund's pension fund valuation; • assessing the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • testing the consistency of disclosures with the actuarial report from the actuary; • undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report.	There are no issues arising to date to draw to the attention of those charged with governance. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.
Valuation of Level 2 Investments While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.	**Pension Fund**	Audit procedures undertaken in response to the identified issue includes: • gaining an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls; • reviewing the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; • reviewing the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances; • independently request year-end confirmations from investment managers and custodian; • reviewing investment manager service auditor report on design effectiveness of internal controls, and, • where necessary, testing a sample of unit values used to value level 2 investments to externally quoted information sources, or where not quoted, to unit values provided by the investment manager's own independent custodian. We may consider the use of our specialist valuation team.	Our audit work is substantially complete and there are no issues arising to date to draw to the attention of those charged with governance. Should any issues arise that require reporting, we will do so before issuing our auditor's report.

Significant findings – other issues continued

Issue	Applicable to	Commentary	Auditor view
Contributions Contributions from employers and employees' represents a significant percentage of the Fund's revenue. We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	**Pension Fund**	Audit procedures undertaken in response to the identified issue includes: • evaluating the Fund's accounting policy for recognition of contributions for appropriateness; • gaining an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls; • agreeing changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports • testing a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained.	Our audit work is substantially complete and there are no issues arising to date to draw to the attention of those charged with governance.
Pension Benefits Payable Pension benefits payable represents a significant percentage of the Fund's expenditure. We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	**Pension Fund**	Audit procedures undertaken in response to the identified issue includes: • evaluating the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gaining an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls; • testing a sample of lump sums and associated individual pensions in payment by reference to member files; • testing relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained	Our audit work is substantially complete and there are no issues arising to date to draw to the attention of those charged with governance.

Significant findings – key estimates and judgements – Council

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals – £15.9m	The Council are responsible for repaying a proportion of successful rateable value appeals. In 2019/20, management used an external organisation, Analyse Local, to calculate the level of provision required. Analyse Local's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision in the draft financial statements had marginally decreased by £547k in 2019/20.	Audit procedures undertaken in response to the identified issue included: • appropriateness of the underlying information used to determine the estimate • impact of any changes to valuation method • consistency of estimate against peers/industry practice • reasonableness of decrease in estimate • adequacy of disclosure of estimate in the financial statements. We have not identified any issue to date in respect of the identified judgement and estimate. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.	(green)
Land and Buildings – Council Housing – £3,048m	The Council owns 25,240 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Wilks Head and Eve LLP to complete the valuation of these properties. The year end valuation of Council Housing was £3.1 billion, a net increase of £26.3m from 2018/19.	• From the work performed to date, no material issues have arisen in relation to the valuation of the Council's housing stock included within the accounts. • We have assessed management's expert, Wilks Head and Eve LLP, to be competent capable and objective. • The valuer has correctly prepared the valuation using the stock valuation guidance issued by MHCLG, and has ensured the correct factor has been applied when calculating the Existing Use Value – Social Housing (EUV-SH) value disclosed within the accounts. • All properties were valued as at 01 April 2019 and the valuer issued a follow up report commenting on market changes to the 31 March 2020 to correctly state the value of the portfolio in current terms. Other than the material valuation uncertainty referred to on page 8, we have not identified any other material issue to date. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.	(green)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements – Council

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other – £691m; **and Investment Properties - £33.2m**	Other land and buildings comprises of specialised assets, such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Investment property is required to be valued at fair value. You have used your internally qualified RICS valuer to complete the valuation of properties on a five yearly cyclical basis. Land and buildings and investment properties were valued as at 01 April 2019 and the valuer issued a follow up report commenting on market changes to the 31 March 2020 to correctly state the value of the portfolio in current terms. This exercise resulted in additional valuations at the balance sheet date in cases where the valuer assessed that material movements had occurred.	• From the work performed to date, no material issues have arisen in relation to the valuation of the Council's operational land and buildings and investment properties included within the accounts. • We have assessed your In-house valuer to be competent, capable and objective. • We have carried out completeness and accuracy testing of the underlying information used to determine the estimate, and have no issues to report. • The valuation method remains consistent with the prior year. • We confirm consistency of estimate against the Gerald Eve report on property market trends, and reasonableness of the increase in the estimate. • We have agreed the valuation report to the fixed asset register and the financial statements. Other than the material valuation uncertainty referred to on page 8, we have not identified any other material issue to date. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.	(green)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements – Council

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £911m	Your net pension liability at 31 March 2020 is £911m. The Council used Mercer to provide actuarial valuations of its assets and liabilities derived from these schemes. A full actuarial valuation is required every three years. A full actuarial valuation was carried out as at 31 March 2019 and used in determining the contribution rates with effect from 01 April 2020 to 31 March 2023. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	See below	(green)

Auditor commentary:

- We have assessed the actuary, Mercer, to be competent, capable and objective.
- We have performed additional tests in relation to accuracy of contribution figures and benefits paid to gain assurance over the 2019/20 calculation carried out by the actuary.
- We have used PwC as our auditor's expert to assess the actuary and assumptions made by the actuary – see table below for out comparison of actuarial assumptions:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3% - 2.4%	
Pension increase rate	2.1%	2.1% - 2.2%	
Salary growth	3.6%	3% - 4%	
Longevity at 65 for future pensioners Male (Female)	24.2 (27.6)	22.5 – 24.7 (25.9 – 27.7)	
Longevity at 65 for current pensioners Male (Female)	22.7 (25.7)	20.9 – 23.2 (24.0 – 25.8)	

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We have confirmed there were no significant changes in 2018/19 to the valuation method.
- Our work to date confirms that the decrease in the IAS 19 estimate is reasonable.

Subject to the conclusion of the outstanding matters highlighted on page 5, we have not identified any issue to date in respect of the identified judgement and estimate. In respect of the assumptions, we continue to recommend that management keeps these under review for future periods in order to ensure that they remain appropriate to your circumstances.

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements – Pension Fund

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Level 2 and 3 investments	The Pension Fund have investments in pooled investment vehicles which include equity, private equity and property funds that in total are valued on the balance sheet as at 31 March 2020 at £1.2 billion. These investments are not normally traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management make use of evaluated price feeds, with the exception of the valuation of property investments which is based on evaluation of market data. The value of the investment has increased by £18m in 2019/20, largely due to sales and changes in market value.	• From the work performed to date, no material issues have arisen in relation to this risk • We are assessing the appropriateness of the underlying information used to determine the estimate, including fund manager and custodian reports, and audited accounts of the private equity funds as at 31 December 2019 • We are assessing the consistency of the estimate against peers and industry practice • We are reviewing the reasonableness of the increase in the estimate • We are assessing the adequacy of disclosure of estimate in the financial statements including classification between level 2 and 3 investments. Should any residual issues arise that require reporting, we will do so before issuing our auditor's report.	(green)

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary	Auditor view
Historical trial balance (TB) code	Our review of the consistency between the draft accounts and the TB identified a number of redundant pension fund codes which are no longer in use. There are about 87 redundant codes still on the TB.	All redundant pension fund codes should be deleted to minimise risk of mis-classification and transactions not being reported in the accounts.

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Going concern – Council and Pension fund

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process

The Council's financial statements including the Pension fund have been prepared on a going concern basis, as disclosed in the Narrative report and Statement of Responsibilities for the Statement of Accounts.

Management provided the Medium Term Financial Strategy extending over the three-year period to March 2023. Management's assessment acknowledges that the financial outlook for the Council is challenging, with a £10.6m budget gap which assumes delivery of savings of £23.6m over the medium term, prior to the Covid -19 pandemic and its ensuing impact. The Council has an on-going service transformation programme to align future spending plans to the Council's strategic priorities with the joint goals of bridging this gap and ensuring better outcomes for residents.

As a result of increased expenditure and diminished income, for instance from parking and commercial rents, due to the Covid -19 pandemic, the original 2020/21 budget is now forecast to overspend by over £23m. The majority of this will be offset by government funding and the use of the prior year underspend. The residual c£4m overspend will be filled through identification of additional savings opportunities or, if necessary, use of reserves or contingency fund.

The situation beyond 2020/21 is more uncertain as the longer-term impact of the pandemic on individuals and businesses in the Borough, and by consequence demand for services, remains unclear. However, management are confident that the Council retains sufficient levels of useable reserves which as a last resort can be used to withstand the pressures faced during the period of their assessment.

Work performed

Our review of going concern disclosures is in progress. Our review includes review of management's disclosures, going concern assessment and Medium Term Financial Strategy, corroborating key inputs and assumptions to our wider knowledge gained through the audit process, and where applicable to supporting documentation. We will considered, based on our understanding of the Council and the wider political and economic climate, whether material uncertainties exist which were not explicitly covered by management's assessment.

Initial conclusions is management's assessment is based on accurate information including prudent assumptions around future income and expenditure levels, and likely shortfalls based on known events and best available information. We are satisfied that the Council holds sufficient useable reserves to mitigate the risk of any short-term funding shortfalls which may arise throughout the period of management's assessment. We will complete our review on receipt of management's cashflow forecast to at least October 2021.

Concluding comments

Subject to the satisfactory conclusion of our work, we are satisfied from the work performed that:

- the going concern basis of preparation is appropriate for the Council's financial statements and Pension Fund
- no events or conditions exist which may give rise to material uncertainties casting significant doubt on the Council's ability to continue as a going concern
- the disclosures in the Council's financial statements (including the Pension Fund) relating to going concern are adequate.

Our audit opinion in respect of going concern will be unmodified.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee and Audit Committee (Advisory). We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A standard letter of representation will be requested for the Council and Pension fund at the conclusion of the audit.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all banking and investment counterparties. This permission was granted and the requests were sent. At the time of writing, the majority of these requests have been returned with positive confirmation, although one investment and five borrowing confirmation requests are yet to be received. We sent letters to those solicitors who worked with the Council and Pension Fund during the year and responses were received.
Disclosures	Our review of disclosures found no material omissions in the financial statements of either the Council or Pension Fund. Changes made to disclosures during the course of the audit are summarised in Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management were provided

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Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £500m, we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. At the time of writing, the group instructions have yet to be issued by the NAO, with these due to be communicated to group auditors during September 2020. These procedures will be completed alongside the issue of our auditor's report.
Certification of the closure of the audit	We are unable to certify the closure of the 2019/20 audit until • the required procedures in respect of the WGA outlined above have been performed, and • the Pension fund annual report has been reviewed for consistency. This will take place following the conclusion of the financial statements audit. This is reflected in the audit opinions.

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Value for Money

Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:

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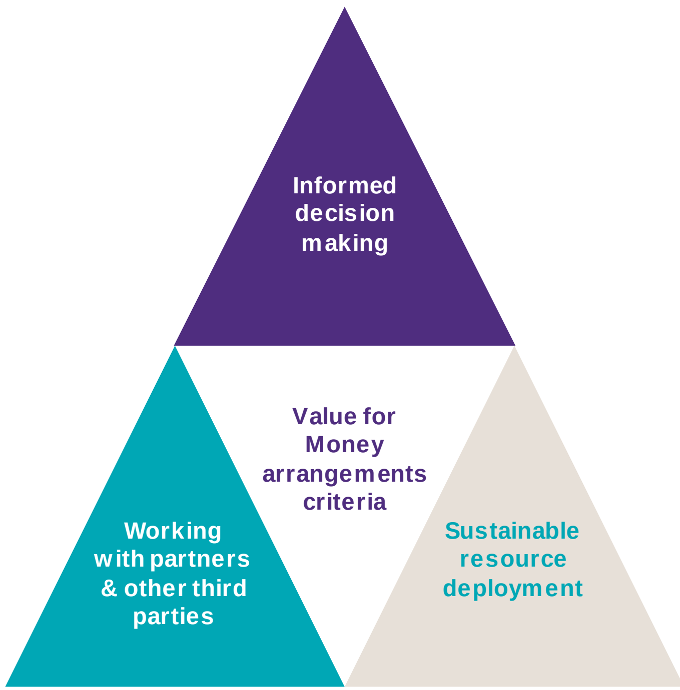

Risk assessment

We carried out an initial risk assessment in January and February 2020 and identified two significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VfM risks in relation to Covid -19, however we have considered and commented on the potential impact of Covid -19 on the Council's future financial sustainability, and plans for addressing the arising issues, as part of our work in addressing the previously identified significant VfM risks around the arrangements in place for Medium Term Financial Planning and change and transformation programmes.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Revenue and capital outturn for 2019/20
- Approved revenue and capital budget for 2020/21
- Officer assessment of the impact of Covid -19 on forecasted costs and income for 2020/21 and future years, as reported to members
- Medium term financial plan for 2020/21-2022/23
- Analysis of reserves position relative to other comparable local authorities
- Discussions with key officers
- Ofsted inspection of children's social care services in March 2020 rated 'outstanding' overall.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 25 to 32.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money – Medium Term Financial Planning

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings and Conclusions
Medium Term Financial Planning Future funding uncertainty arising from the fairer funding review and longer-term settlement decisions has created financial uncertainty for the Council over the medium to long term. You have set a balanced budget for 2020/21 and your Medium Term Financial Plan for 2020 – 2023 identifies that you needed to close a 3 year budget gap of £10.6m to maintain financial balance. This assumes that you will deliver £23.6m savings under a revised savings programme. A recent review of the 2019/20 savings programme, intended to deliver £13.5m savings, indicates that 78% of savings are 'Green' rated, 5% are 'Amber' rated and 17% are 'Red rated. Whilst the Amber and Red rated savings are being covered from one-off resources and underspends in the current financial year, there are risks around the ongoing delivery of these savings in future years. We will review your arrangements for setting the MTFP and examine underlying assumptions and dependencies for robustness. We will examine in detail the savings plans aimed at reducing future funding gaps.	**<u>2019/20 Outturn</u>** You achieved an overall General Fund underspend, including schools, of £7.8m, of which £2.6m was then transferred to a new Budget Strategy Reserve, giving a net General Fund underspend of £5.2m and a corresponding transfer to General Fund balances. Overall, 2019/20 was a successful year for the Council, but is recognised as one-off in nature, and comes before a highly uncertain financial outlook for 2020/21. The revenue underspend was driven in-part by lower than forecast borrowings costs, including a net £1.8m of debt interest savings, as a result of pursuing an efficient borrowing strategy and reprofiling of capital budgets. A number of minor underspends have been experienced for the majority of service areas, including Children's (£1.7m), including where lower than budgeted costs for the Children's social care transformation programme were seen, and Adult's (£1.4m), driven by the use of one off resources. The impact of Covid-19 on the revenue outturn for 2019/20 was minimal, due to the pandemic only arising within the final few weeks of the period. An overspend of £1.3m for loss of income and exceptional expenditure in late March 2020 because of Covid-19 was offset by almost £1.3m of government grant funding to mitigate the financial impact of the pandemic on the 2019/20 General Fund outturn position. However, as explored below, the impact on the 2020/21 budget is significant both in respect of increased expenditure and loss of income, and may also have a significant impact on the Council's ability to realise planned savings and efficiency programmes and deliver service transformation within planned timeframes. **<u>Original 2021 Budget and Medium-Term Financial Planning</u>** In our Audit Plan we reported that management had identified a funding gap of £10.6 million in the Council's medium term financial plan for the three year period from 2020/21 – 2022/23, which would need to be met from a combination of reduced costs and increased income. The £10.6m gap assumed the delivery of savings of £23.6m over the medium term, £9.7m of which related to 2019/20. The Council already had in place a range of efficiency programmes and service reviews across different directorates and was in the process of bringing these together into an outcomes-based budgeting and service transformation programme which aligned transformation and change, and associated efficiency plans, to the Council's strategic priorities. The savings programme is discussed in more detail against our second significant risk. Your 2020/21 budget proposed an increase in basic Islington council tax of 1.99% in 2020/21 and, subject to review as part of future budget setting cycles, assumed increases of 1.99% in 2021/22 and 2022/23.

Value for Money – Medium Term Financial Planning

Significant risk	Findings and Conclusions
Medium Term Financial Planning Continued	The Medium-Term Financial Strategy (MTFS) recognised that Central Government funding levels for the Council, along with all inner-London authorities, is likely to decrease because of the Fair Funding Review. You emphasized further uncertainties in the budget-setting exercise which have made it difficult to estimate the budget gap in 2021/22 and 2022/23 with accuracy, for example: • The longer-term central government Spending Review and planned reforms to the local government finance system around business rates retention and the fairer funding review have been delayed until 2021/22; • changes to the expected delivery and phasing of agreed savings; • In-year performance of the London Business Rates Pool and impact on the Council's total business rates income; and • Brexit related developments You have been seen to proactively engaging with discussions with the Government around proposals for potential additional funding, such as through the Society for London Treasurers to facilitate a greater level of control over uncertainties which currently exist. You have been collaborating with neighbouring North London Boroughs to allow for joint thinking and approaches for budgeting for forward looking assumptions for Covid-19, such as in treating NDR collection rates. Further general assumptions were made around pay and price inflation, realisation of savings, Council Tax increases and known spending pressures. In addition, you noted that the estimated net increase in central government funding is grossly insufficient to address the inflationary and demographic cost pressures that you face over the next three years On our review of your Medium-Term financial strategy and budget, we conclude that you have set out, in a reasonable way for Council and the public, estimates of the additional costs and reductions in income for the budgetary challenge through to 2023/24. You have identified the estimated gap using suitable assumptions and estimates which are in line with our expectations and similar Councils. **Response to Covid-19** In the period since the year-end of the financial year, you moved from the initial emergency response phase to focus on recovery planning which is running in parallel with on-going responses to the pandemic, such as supporting vulnerable people, and managing the capacity challenges of delivering business as usual alongside covid-19 response. Following on from lockdown, you put arrangements in place to ensure that risks and uncertainties caused are given due consideration in short and medium-term financial planning scenarios, and that the impact is effectively recorded and monitored to the best of your ability. You have done this through maintenance of a financial tracker to monitor additional costs and lost income in relation to Covid-19. The tracker forecasts the anticipated financial impact of the Covid-19 variables to each month-end and to the end of the financial year. The estimates are then RAG rated for confidence of the accuracy of those estimates, with assumptions regularly refined. For example, it is assumed that collection losses for council tax collection rate for the year will decrease by 3% (from 98% to 95%); this is a high-level assumption that will be refined as more collection analysis emerges. Tracking costs in this way has allowed you to report monthly to members on a position regarding the projected overspend 'without' Covid-19, as well as the real projected overspend with it. On review of the tracker, we consider the approach to be comprehensive, and reasonable. As at Month 4, the Council's 2020/21 forecast overspend before the Covid-19 grant is £40.3m. After Covid-19 funding, and in real terms, the forecast budget deficit at Month 4 is £23m.

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Value for Money – Medium Term Financial Planning

Significant risk	Findings and Conclusions
Medium Term Financial Planning continued	**Impact of Covid-19: General Fund** As expected, and as is unsurprising for an inner London Borough, parking has been one of the areas that has had the biggest hit following the pandemic. As at Month 4, there has been an £11.3m loss of income in relation to parking across Pay & Display, penalty charge notices and permits. Other cost pressures resulting in projected overspends faced by the Council include the loss of management fee rental income from leisure centres of £4.3m, the purchase of personal protective equipment (PPE) for Adult Social Care workers of £4m, and upgrading IT infrastructure for increased home working and additional support for £2.2m. Central Government has partially recognised such challenges faced by local authorities and in March and April 2020 allocated two tranches of central funding which totalled £3.2 billion nationwide. The Council's share of this income amounted to £8.9 million. A further package of support was announced in July 2020. The Government has also announced proposals to fund 75% of 95% of lost budgeted fees and charges income for local authorities, which can unavoidably not be recovered in 2020/21 and are not already offset by other support. The guidance provided by MHCLG makes clear however that this does not include investment income or commercial rents, and only covers income directly related to the provision of services. Management's best estimate is that around £10 - £13 million of the Council's lost income could be eligible to be reclaimed from the Government through this scheme, which would further offset the forecast overspend for the year. Combined with the 2019/20 general fund underspend taken to reserves (£7.8m), and the above mentioned income expected to be recovered under the income support scheme (say £11.5 m), the projected overspend for 2020/21 would be reduced in real terms to circa £4m, which is far more manageable. It is noted that the Council holds a £5.4m corporate contingency reserve, earmarked for unknown pressures, which in itself would be sufficient to cover this deficit. **Impact of Covid-19: Collection Fund** For the collection fund, your current forecasts also estimate council tax losses of £5.7m and business rates losses of £7.4m for 2020/21, that will also impact future year budgets. The actual budgetary impact will depend on the wider economic outlook, including the extent to which arrears can be recovered and any ongoing decrease in the tax base. You note that the estimates you have derived will be updated for actual collection rates (which are currently 0.4% down - a rate which is lower than might have been expected). Any deficits from council tax and business rates arising in 2020/21 would normally be transferred from the collection fund in the following year (2021/22). However, the government has recently proposed that these deficits will now be spread equally over 3 years (2021/22 to 2023/24). This remains uncertain but phasing over 3 years will help the Council in the short term, reducing the collection fund impact on 2020/21 by circa £8.7m. You intend to factor this into your budget setting assumption for the coming year. **Impact of Covid-19: Capital** Per your Medium Term Financial Strategy, the capital programme is intended to deliver £479m of capital investment over the next three years and includes the continuation of ongoing major programmes, which includes the Council's ambitious new build programme (£252m as at the end of the last financial year). You anticipate that the Covid-19 crisis (and particularly the lockdown period) will to lead to significant slippage of the 2020/21 capital programme into future financial years. Indeed, as at the end of month 4, £21.9m (11.7%) of expenditure had been incurred against the 2020/21 capital budget of £188m.

Value for Money – Medium Term Financial Planning

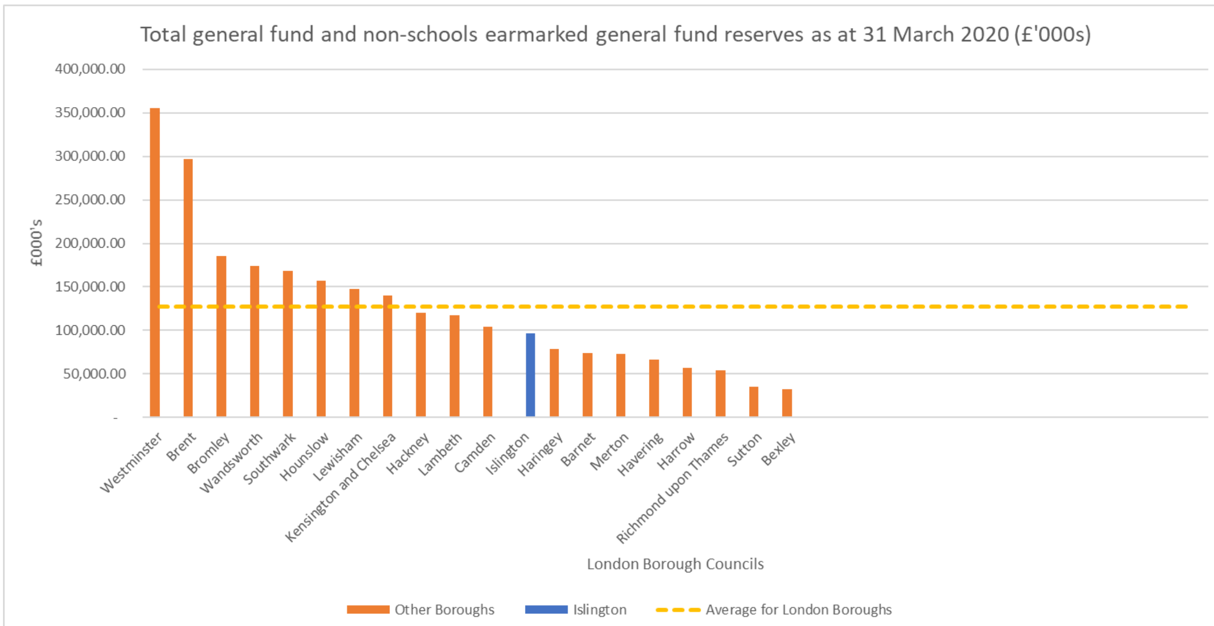
Significant risk	Findings and Conclusions
Medium Term Financial Planning continued	The capital slippage for 2019-20 itself, which amounted to £24.0 million in the General Fund and £20.4 million in the Housing Revenue Account (HRA) when compared to original budgets, relates largely to spend which has now been rephased to 2020/21 or future years, meaning that intended outcomes for residents are still intended to be realised but within a revised timeframe. You are aware that there is potential that further delays to projects could arise because of the Covid-19 pandemic and associated availability of labour and materials.

Sustainability of reserves

It is critical that management continue to look beyond the current crisis and maintain sufficient reserves relative to likely future pressures as systemic change and transformation become embedded and begin to realise substantive recurrent savings, to mitigate risks posed by external factors outside of member and officer control.

As at 31 March 2020, the Council held useable reserves both in terms of value and in terms of ratio to net revenue expenditure which were slightly below an average level for London Boroughs, as illustrated by graphs 1 and 2 below.

Graph 1: Total general fund and non-schools earmarked general fund reserves as at 31 March 2020



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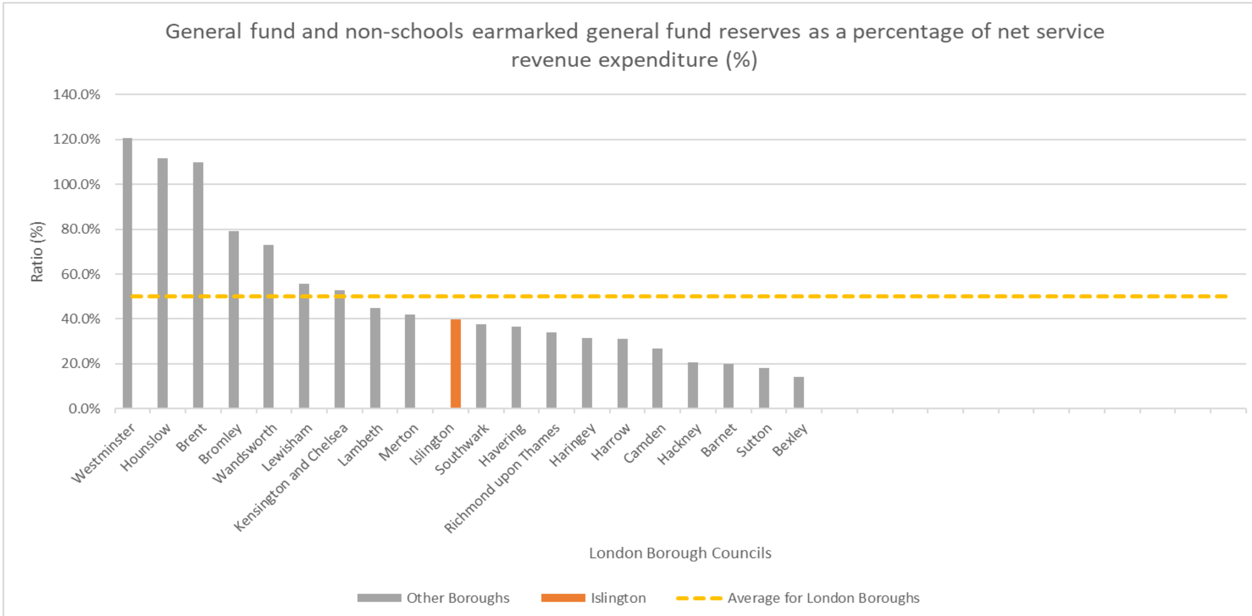
Value for Money – Medium Term Financial Planning

Significant risk	Findings and Conclusions
Medium Term Financial Planning continued	**Graph 2 - General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)**



You have plans in place to utilise a significant proportion of existing reserves over the medium term in accordance with the purposes for which the reserves were designed and funds were originally set aside. For example, a transformation reserve for up-front investment for the delivery of transformational revenue savings over the medium term is held, where this investment cannot be funded from within existing departmental budgets. You also hold a housing benefit reserve, committed to funding the transitional costs of implementing Universal Credit. Your estimated level of General Fund balances over the Medium-Term planning period is consistent with your existing policy to set a minimum target level at 5.0% of the net budget requirement.

You recognise that ideally the level of General Fund reserves and balances would be higher going forward given the degree of risk around the medium-term budget assumptions, now worsened by the Covid-19 pandemic. Your underspend on the General Fund budget of £7.8m at the end of the current 2019/20 financial year has been transferred to reserves in order to provide additional resilience for significant budget risks caused by the pandemic. As mentioned elsewhere, contingency budgets should be enough to cover forecast overspends for 2020/21 not covered by the Governments income support scheme.

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Value for Money – Medium Term Financial Planning

Significant risk	Findings and Conclusions
Medium Term Financial Planning continued	**Conclusion** The financial outlook for the Council remains challenging. During 2019/20 and in the period since the year-end, officers have put in place robust arrangements to ensure that risks and uncertainties are given due consideration in short and medium-term financial planning and the impact is effectively modelled to the best of their ability, drawing on external support where knowledge gaps or wider unknowns are identified. The outturn position for 2019/20 is broadly indicative that management's understanding of the key drivers for income and expenditure relating to core services and ability to understand impact of decisions taken is strong, and plans have been put in place for improvement to processes where significant variances were identified. The methodology through which management have identified pressures resulting from Covid-19, and the reporting structure to members, is considered effective. As a result of Government Funding and initiatives, prior year underspends and prudent financial planning including setting aside contingencies in the budget-setting process, the Council has sufficient resources in place to meet the expected shortfalls in income and increases in expenditure for 2020/21 arising from the Covid-19 pandemic and is not facing the kinds of challenging decisions in the immediate term around service cuts. However, in the medium term, the picture remains far more uncertain as the longer-lasting impact of the pandemic on the economy, in the context of wider financial risks beyond the control of officers or members, remain significant unknowns. Management are conscious of the need to remain responsive to emerging circumstances, whilst keeping sight of longer-term strategic goals which underpin future investment decisions from use of reserves.

Value for Money – Cultural Change and Transformation

Significant risk	Findings and Conclusions
Change and transformation programmes and governance You are embarking on some significant transformation programmes, including transformation of ICT under Islington Digital Services. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance.	**Overview** Your savings programme currently includes an identified £25m savings that are anticipated to materialise over the three years to 2022/23 and you identified the delivery of these savings as a key uncertainty going forwards in closing the budget gap over the medium term. In the current environment it is more important than ever that the Council seeks to build sustainable services for the future which can weather the storm of the challenges to come and continue to deliver high quality outcomes for residents of the Borough. **Transformation Schemes** In our audit plan we reported that the Council carried out an exercise to RAG rate the existing savings programme. As of February 2020, you had total assumed savings of £23.6m, before the Covid-19 pandemic took hold. 78% of your savings were 'Green' rated, 5% were 'Amber' rated and 17% were 'Red' rated. £9.7m of the total savings were planned to materialise in 2020/21. You maintains a savings tracker to monitor the savings anticipated under existing schemes and to aid in any reprofiling decisions. This schedule is regularly updated and presented to the Executive committee. As at Month 4 2020/21, £7.3m of savings are now green rated (29%), £12.8m are amber rated (51%), £3.5m are red-rated (14%), representing a deterioration in the position at the start of the year. This is hardly surprising; almost universally, delays have been experienced because of lockdown measures from Covid-19 and many of the schemes are behind their original schedule. Your savings targets for 2020/21 total £8.7m of the total £25m transformation programme, and to date £1.6m of these have been fully achieved. This represents a reprofiling of savings to later years, giving the Council a less ambitious but more pragmatic target for 2020/21, given what can realistically be achieved amongst current uncertainty. You acknowledge that you need to work on identifying additional savings and new transformation programmes. Lengthy meetings and consultations are being held by managements with Directorates at a service level, including with Adult Social Care and Children's Services to push for drive savings from the bottom upwards and for the identification of outcomes that are realistic with existing resources. **Islington Digital Services** You have had historical issues regarding the age of IT infrastructure and software. Your IT transformation project was split into two phases; the first being the need to ensure that all staff had access to the right hardware. When Covid – 19 pandemic lockdown came into force, the IT department had to switch attention to ensuring that people can keep working remotely, which has involved the roll-out of update software including Microsoft Teams and Office 365. The next phase for delivery will be harder and intends to improve efficiency and discourage the use of different systems for the same task, and the interlinking of existing of systems. The response to Covid - 19 has seen major upgrades in the IT infrastructure at the Council; this is a success story to date but it is recognised that there remains a lot of work to do going forwards.

Value for Money – Cultural Change and Transformation

Significant risk	Findings and Conclusions
Change and transformation programmes and governance continued	**Climate Change Initiatives** Central to changing the way in which the Council operates, you declared a Climate Emergency in June 2019, and have developed a Zero Net Carbon Strategy which aims for a net zero carbon in the Borough by 2030. The Council's operations represent 4 - 8% of the Borough's emissions, so you have significant influence over this. However, you recognise that significant and on-going funding, including capital grant funding, is required for you to deliver your ambition for Islington. For example, the cost of retrofitting the council's housing stock to become both energy efficient and zero carbon in terms of energy will be expensive, especially given the Covid-19 pandemic, but you are putting in place funding strategies to meet this goal. You have started initial stakeholder and resident consultations and have given residents opportunities for feedback on the strategy, and have progressed existing projects such as the Bunhill 2 energy centre, which will use warm air from the London Underground to supply heat to the Bunhill heat network, the first project of its kind in the world. To progress the plan in its early stages you have been collaborating with other boroughs, 25 of which have also declared climate emergencies. London Councils have set up a Climate Emergency Working Group of officers that meets regularly to discuss strategy and opportunities to work together. Recent research has shown higher death rates from Covid-19 in areas where there is poorer air quality than in areas with better air quality, and so by encouraging walking and cycling through the measures outlined above, the council will be supporting the health resilience of those working and living in Islington which should reduce future budgetary pressures. You are proposing to invest £1m on 'Liveable Neighbourhoods' to improve the local environment for everyone. The initiative is aimed to stop through traffic, to make it easier to walk and cycle, and will include measures such as road closures and cycle routes. The Mildmay and Highbury East area has been selected as the first Liveable Neighbourhood in Islington as part of a much wider borough vision to introduce Liveable Neighbourhoods in every residential area of the borough in the coming years. The proposals for Liveable Neighbourhoods will be closely designed with local communities to improved public spaces. **Conclusion** Along with all organisations across the public and private sectors, you are considering how to take forward the benefits from the period of largely remote working which has been necessitated by the Covid-19 pandemic. This includes considerations such as flexible working, effective use of office space and the ways in which services are delivered, for example how remote communications with clients to support delivery of Children's Services, which has been necessitated by the Covid-19 pandemic, can be adapted and used going forward. You remain in a period of significant change with many plans in place for the future. Designing resilient, future-fit service delivery models will be more crucial than ever given the economic uncertainties which the Council now faces over the medium term and the pressures being faced by local businesses and residents. Change and transformation programmes have been adversely impacted by covid-19 but you recognise the importance of continuing to identify and reprofile savings plans. It will also be essential that the anticipated benefits and desired outcomes from transformation and cultural change are clearly articulated and measurable, to enable you to demonstrate success against the plans and identify, and take corrective action, at an early stage should the risks to success become prohibitive. The Council's executive leadership are conscious of this and have to date maintained resources set aside to invest in change and transformation, despite the current crisis.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit-related and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Agreed upon procedures relating to pooling of housing capital receipts (Council)	3,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £181,079 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.
Agreed upon procedures relating to the Teachers' Pensions End of Year Certificate (Council)	5,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £181,079 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.
Certification of Housing Benefit Subsidy Claim (Council)	28,226	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,226 in comparison to the total fee for the audit of £181,079 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat, this work will take place after the audit is completed. The amounts involved are not material to our opinion meaning that the likelihood of material errors in the financial statements arising as a result of this work is low. The Council has informed management who will decide whether to amend returns for our findings, and agree the accuracy of our reports.

Independence and ethics

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription (Council)	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £181,079, and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

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Action plan

We have identified a number of recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Applicable to	Recommendations
● Medium	**IFRS 16 Leases** The implementation of IFRS 16 has been delayed to 1 April 2021. The Council's IFRS 16 disclosure in 2020/21 will need to include the estimated impact on the financial statements as at 31 March 2021. We will review the estimated impact on the assets, liabilities, income, expenditure and reserves within the financial statements as at 31 March 2021 as part of the 2020/21 audit.	Council	As part of your on-going IFRS 16 preparations for implementing the standard, you should: • document the Council's arrangements for ensuring the completeness of leases, and • consider the risk of impairment on lease asset values as at 1 April 2021 due to Covid - 19 and the level of uncertainty around the asset values.
● Medium	**Historical trial balance (TB) code** Our review of the consistency between the draft accounts and the TB identified a number of redundant pension fund codes which are no longer in use. There are about 87 redundant codes still on the TB. Risk of mis-classification between TB codes.	Council	All redundant pension fund codes should be deleted to minimise risk of mis-classification and transactions not being reported in the accounts.
● Medium	**Journals** Our testing of journals identified three manual journals posted by system administrators with super user rights. We reported a similar issue in our 2018/19 Findings report. To ensure separation of duties, we would typically expect such journals to be posted by the finance team and system administrations not undertake finance operational tasks.	Council	Undertake a review of systems access to your financial systems and ensure super user access is restricted to appropriate persons

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Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of the Council and Pension Fund's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
x (partial)	**IT general controls** We undertook a review of your IT general controls and made 2 high and 4 medium priority recommendations around the following areas: • The number of Domain Admins and Enterprise Admins for Active Directory is not appropriately limited and reviewed • Proactive review of Logical Access • Lack of Information Security Policies and Procedures review and approval • IT security training for employees • Password complexity enforcement • Independent audit report on vendor's security systems.	The IT Application Services Manager provided an update in July 2020. Whilst actions has been taken on each recommendation, none have been fully implemented at the time of writing this report. **Auditor response** Action partially complete, progress to be followed up during 2020/21.
✓	**Payroll** We note from our sampling one instance from school payroll where the allowances had been paid twice in a particular month. Your exception report review focuses on month on month variance in excess of 40% and this error was below this threshold and was not identified.	The payroll manager confirmed confirm that Backpay Arrears Report, not part of the 40% threshold report, is now checked in its entirety. **Auditor response** Action complete
x	**Journals** Our testing of journals to date identified 4 manual journals posted by system administrators with super user rights. To ensure separation of duties, we would typically expect such journals to be posted by the finance team.	**Auditor response** Journal testing during 2019/20 identified further examples of manual journals posted by system administrators with super user rights. Recommendation not yet addressed, refer page 36.

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Assessment

✓ Action completed

X Not yet addressed

Audit adjustments – Council and Pension fund

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	CIES £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Cashflow statement and related notes (Council) Management advised us of a £152.6m material classification error within the cashflow and related notes. Proceeds of £152.6m arising from the disposal of short term investments were incorrectly classified. This does not impact the CIES or balance sheet.	£Nil	£Nil	£Nil
Overall impact	**£Nil**	**£Nil**	**£Nil**

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Impact of prior year unadjusted misstatements

No unadjusted misstatements relating to the Council or Pension Fund were identified during the 2018/19 audit that impact on the 2019/20 financial statements.

Audit adjustments – Council and Pension fund

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which management has agreed to amend in the final set of financial statements.

Disclosure amendment	Applicable to	Detail	Adjustment agreed?
Cashflow statement and related notes (note 31)	Council	Management advised us of a £152.6m material classification error within the cashflow and related notes. Proceeds of £152.6m arising from the disposal of short term investments were incorrectly classified. There is no impact on the reported Cash and cash equivalents as at 31 March 2020. Management will update the cashflow statement and related notes for the correct figure.	✓
Major Sources of Estimation Uncertainty	Council	The material valuation uncertainty in respect of the land and buildings, council dwellings and investment property valuation represents a significant estimation uncertainty. The material valuation uncertainty in relation to the net defined benefit liability also requires disclosure. Management have updated the uncertainty disclosures in Note 5 to the financial statements. These disclosures will be referred to in our auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the audit opinion.	✓
Major Sources of Estimation Uncertainty	Pension fund	Additional detail was added to the disclosure note to enhance the disclosure around material valuation uncertainties relating to valuation of private equity, infrastructure and pooled property investments arising from the impact of the Covid - 19 pandemic on market activity, meaning that less certainty, and a higher degree of caution, should be placed on the recorded valuation of these assets than would otherwise be the case, to more fully reflect the nature and cause of the uncertainties reported by management's property valuation specialist in their valuation report. Management have updated the uncertainty disclosures in Note 5 to the financial statements. This disclosure will be referred to in our pension fund auditor's report in an emphasis of matter paragraph. This does not constitute a qualification of the pension fund audit opinion.	✓

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A number of other minor presentational amendments including adjustment of prior period comparatives to match the audited 2018/19 financial statements were made during the audit.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£181,497	TBC
Pension Fund Audit	£25,000	TBC
Total audit fees (excluding VAT)	**£206,497**	**TBC**

The fees reconcile to the financial statements audit fee disclosures in Note 11 and Pension Fund Note 12c.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
• Housing benefit subsidy claim	20,000	TBC
• Pooling housing capital receipts grant	3,000	TBC
• Teachers' pensions end of year certificate	5,000	TBC
Non-Audit Services:		
• CFO Insights subscription	10,000	10,000
Total non- audit fees (excluding VAT)	**£38,000**	**TBC**

Audit opinion – Council

We anticipate we will provide the Council with an unmodified audit report

FULL TEXT OF THE DRAFT OPINION TO BE ADDED

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Audit opinion – Pension Fund

We anticipate we will provide the Council with an unmodified audit report

FULL TEXT OF THE DRAFT PENSION FUND OPINION TO BE ADDED

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ISLINGTON

London Borough of Islington
Finance Department
7 Newington Barrow Way
London N7 7EP

Tel: 020 7527 2282

W: www.islington.gov.uk

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

Date: 29 September 2020

Dear Sirs

Islington Council and Islington Council Pension Fund
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Islington Council and Islington Council Pension Fund for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for the misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end.

The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

xv. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

   c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.

xvi. We have communicated to you all deficiencies in internal control of which management is aware.

xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

   a. management;

   b. employees who have significant roles in internal control; or

   c. others where the fraud could have a material effect on the financial statements.

xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee and Audit Committee (Advisory) at its meeting on 29 September 2020.

Yours faithfully

Cllr Nick Wayne	Dave Hodgkinson
Chair of the Audit Committee	Corporate Director Resources

INVESTORS IN PEOPLE

POSITIVE ABOUT

Islington Council
Statement of Accounts 2019/20

Contents

Introduction by the Chief Financial Officer

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

Basis of these accounts

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

Overview of the council's finances

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

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

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

David Hodgkinson
Corporate Director of Resources
3 July 2020

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

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

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

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

The Audit Report 2019/20 will appar here once the audit is completed at the end of September 2020

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

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

Explanation of the format of the statements within these accounts

This Statement of Accounts comprises:

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

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

The core financial statements comprise:

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

The supplementary financial statements applicable to Islington council comprise:

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

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

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

Budget 2019/20

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

General Fund Outturn 2019/20

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

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

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

Explanation of 2019/20 Variances

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

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

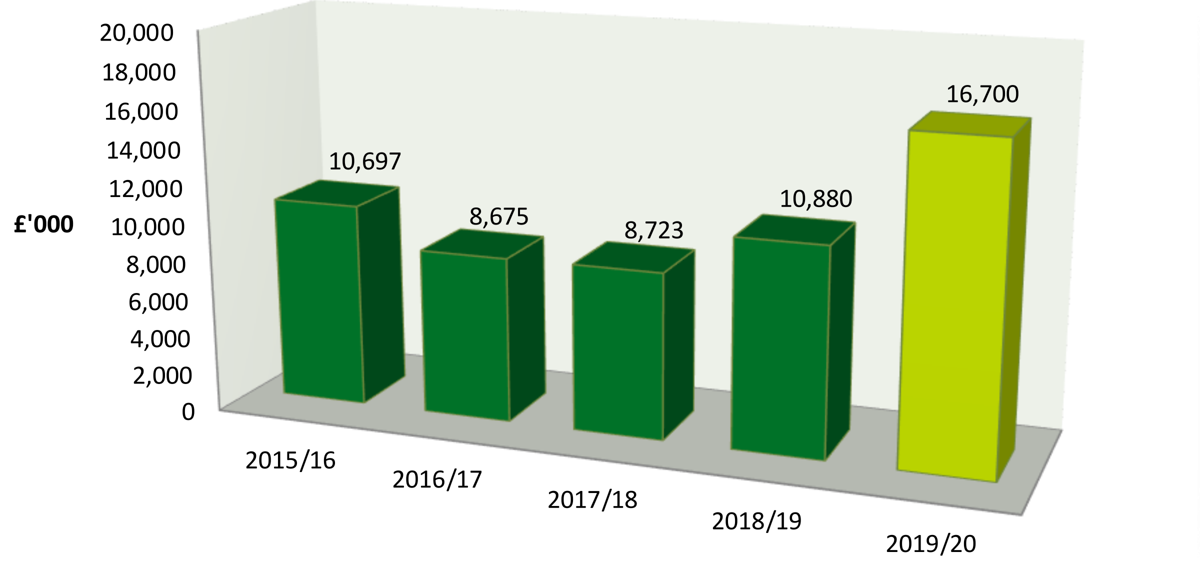
The 2019/20 Provisional Outturn report on the council's website will give a detailed explanation of the outturn position and variances against budget.

General Fund Balances

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

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

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



Housing Revenue Account 2019/20

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

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

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

Capital Expenditure and Funding 2019/20

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

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

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

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

Net Assets as at 31 March 2020

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

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

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

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

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

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

Borrowing and Investments 2019/20

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

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

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

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

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

Material and unusual charge or credit to the accounts

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

Significant provisions and contingencies and material write offs

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

Material events after the reporting date

Material events after the reporting date are disclosed in Note 35.

Significance of the pensions liability

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

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

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

The council has issued around £1.1m of soft loans, mainly to employees. Further details can be found on Page 78.

Looking forward

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

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

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

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

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

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

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

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

Corporate information summary

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

Impact of COVID-19 on the council

Introduction

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

Local Residents and Businesses

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

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

Council Workforce

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

Procurement and Supply Chains

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

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

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

Financial Resources and Sustainability

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

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

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

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

Other financial impacts of COVID-19 include the following:

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

Cash Flow

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

Plans for Recovery

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

Service Impact of COVID-19

People

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

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

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

Environment and Regeneration

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

Housing including Housing Revenue Account

The impacts on the Housing Revenue Account include the following:

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

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

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

Islington facts and figures

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

Islington council performance and priorities

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

Performance Highlights - Our Strategic Objectives

Homes - Delivering Decent and Genuinely Affordable Homes for All

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

Achievements:

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

Challenges

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

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

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

Achievements

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

Challenges

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

Safety - Creating a Safe and Cohesive Borough for All

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

Achievements

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

Challenges

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

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

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

Achievements

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

Challenges

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

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

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

Achievements

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

Challenges

- **176** (target: 200) electric vehicle charging points installed
- **29%** (target: 30%) household waste recycled and composted

- **2.07m** (target: 2.18m) visits to our leisure centres

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

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

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

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

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

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

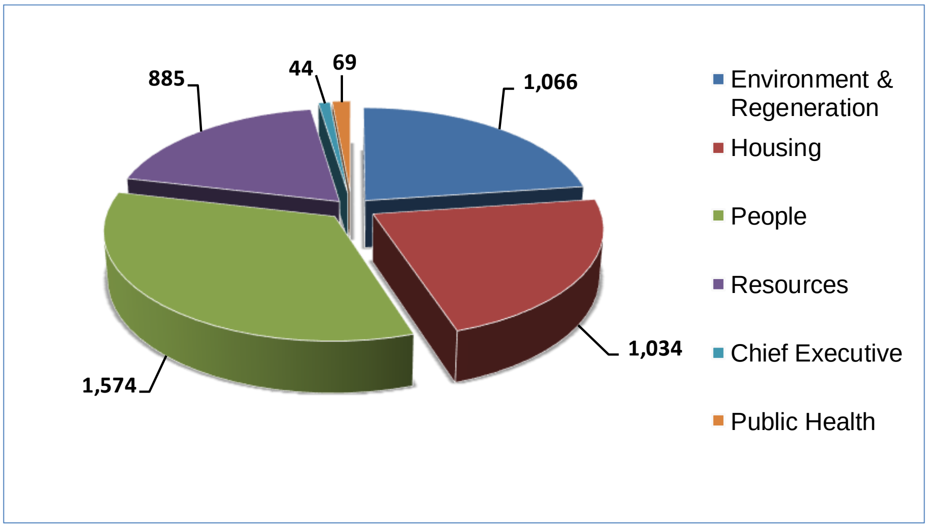
Achievements
- **107k** (target: 125k) visits in person at Customer Contact Centre
- **345k** (target: 367k) telephone calls through Contact Islington call centre
- **20.9%** (target: 20.6%) BME staff within top 5% of earners

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

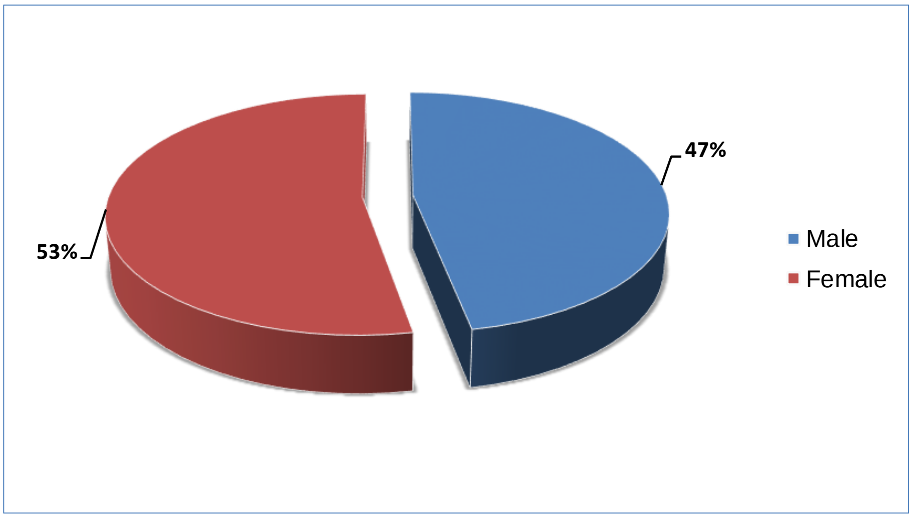
Staffing

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

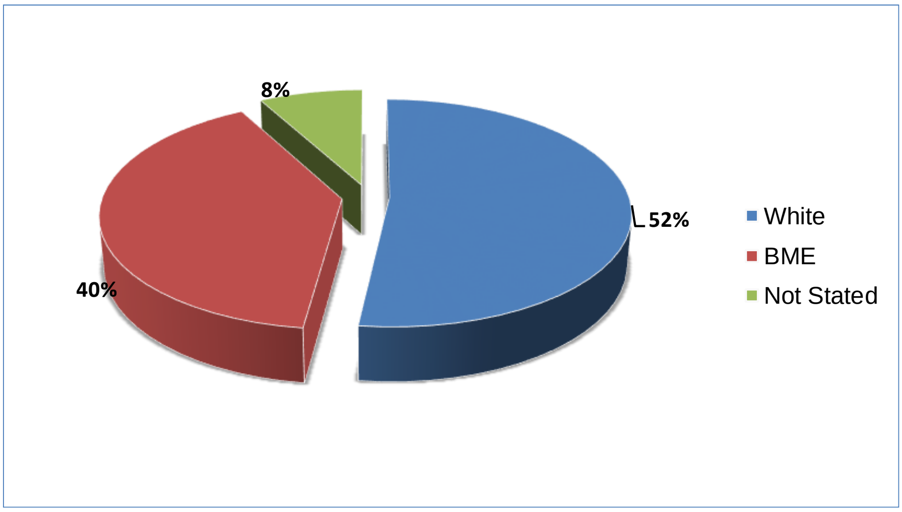
Department:



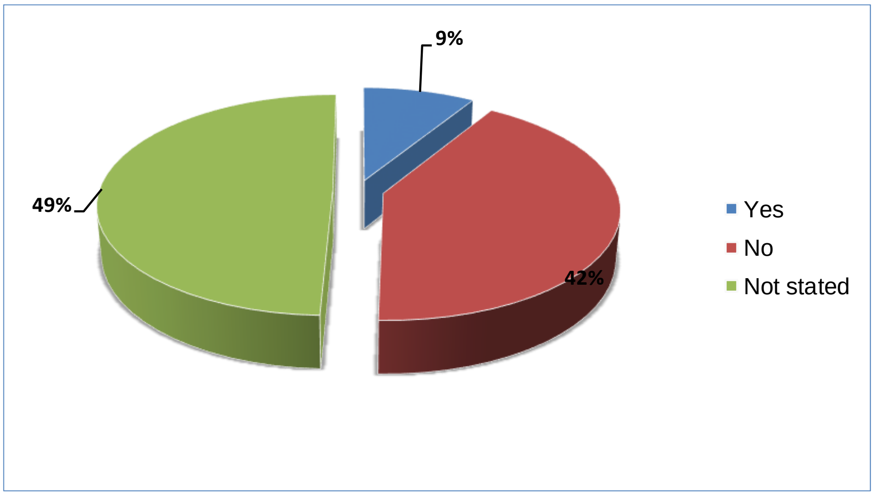
Gender:



Ethnicity:



Disability:



Key Risks

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

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

COVID-19 financial impact

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

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

External Financial Funding

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

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

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

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

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

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

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

Statement of Responsibilities for the Statement of Accounts

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

The Authority's responsibilities

The Authority is required to:

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

The Chief Financial Officer's responsibilities

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

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

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

David Hodgkinson
Corporate Director of Resources
3 July 2020

Approval of the accounts

The Accounts will be approved by resolution of the Audit Committee of the London Borough of Islington in accordance with the Accounts and Audit Regulations 2015, at the conclusion of the Audit, expected at the end of September 2020.

Movement in Reserves Statement

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

Movement in Reserves 2019/20	**General Fund** £'000	**Earmarked General Fund Reserves** £'000	**Housing Revenue Account** £'000	**Earmarked HRA Reserves** £'000	**Capital Receipts Reserve** £'000	**Major Repairs Reserve** £'000	**Capital Grants Unapplied** £'000	**Total Useable Reserves** £'000	**Unusable Reserves** £'000	**Total Authority Reserves** £'000
Balance at 31 March 2019 carried forward	**22,721**	**69,572**	**17,521**	**77,674**	**56,704**	**36,747**	**4,052**	**284,991**	**2,366,254**	**2,651,245**
Movement in reserves during 2019/20										
Total Comprehensive Income and Expenditure	(60,454)	-	18,676	-	-	-	-	(41,778)	96,732	54,954
Adjustments between accounting basis & funding basis under regulations (Note 14)	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 28)	(10,686)	10,686	(13,214)	13,214	-	-	-	-	-	-
Increase/ (Decrease) in 2019/20	**5,151**	**10,686**	**-**	**13,214**	**(17,481)**	**(14,838)**	**(578)**	**(3,846)**	**58,800**	**54,954**
Balance at 31 March 2020 carried forward	**27,872**	**80,258**	**17,521**	**90,888**	**39,223**	**21,909**	**3,474**	**281,145**	**2,425,054**	**2,706,199**

The General Fund carried forward balance of £27,872k comprises of £16,664k General Fund balances and £11,208k of school reserves as shown in the expenditure and Funding analysis footnote on page 62

Movement in Reserves 2018/19	**General Fund**	**Earmarked General Fund Reserves** £'000	**Housing Revenue Account** £'000	**Earmarked HRA Reserves** £'000	**Capital Receipts Reserve** £'000	**Major Repairs Reserve** £'000	**Capital Grants Unapplied** £'000	**Total Useable Reserves** £'000	**Unusable Reserves** £'000	**Total Authority Reserves** £'000
Balance at 31 March 2018 carried forward	**18,042**	**65,421**	**17,521**	**62,409**	**68,925**	**51,458**	**1,259**	**285,035**	**2,573,158**	**2,858,193**
Movement in reserves during 2018/19										
Total Comprehensive Income and Expenditure	(69,090)		19,926					(49,164)	(157,784)	(206,948)
Adjustments between accounting basis & funding basis under regulations (Note 14)	82,887		(4,661)		(12,221)	(14,711)	(2,174)	49,120	(49,120)	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**13,797**	**0**	**15,265**	**0**	**(12,221)**	**(14,711)**	**(2,174)**	**(44)**	**(206,904)**	**(206,948)**
Transfers to/(from) Earmarked Reserves (Note 28)	(9,118)	4,151	(15,265)	15,265	-	-	4,967	0	-	0
Increase/ (Decrease) in 2018/19	**4,679**	**4,151**	**0**	**15,265**	**(12,221)**	**(14,711)**	**2,793**	**(44)**	**(206,904)**	**(206,948)**
Balance at 31 March 2019 carried forward	**22,721**	**69,572**	**17,521**	**77,674**	**56,704**	**36,747**	**4,052**	**284,991**	**2,366,254**	**2,651,245**

Comprehensive Income and Expenditure Statement

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

2018/19 Gross Expenditure	2018/19 Gross Income	2018/19 Net Expenditure	Comprehensive Income and Expenditure Statement	2019/20 Gross Expenditure	2019/20 Gross Income	2019/20 Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
106,921	(39,702)	67,219	People - Adult Social Services	114,907	(43,656)	71,251
143,358	(74,537)	68,821	People - Children, Employment and Skills (excluding Schools)	156,256	(82,387)	73,869
140,153	(128,554)	11,599	Schools	145,784	(128,902)	16,882
96,602	(69,149)	27,453	Environment and Regeneration	99,262	(77,345)	21,917
31,555	(14,891)	16,664	Housing	31,792	(16,707)	15,085
28,567	(28,900)	(333)	Public Health	28,765	(28,522)	243
1,832	(245)	1,587	Chief Executive	2,320	(300)	2,020
233,937	(195,015)	38,922	Finance and Resources	216,740	(175,239)	41,501
38,470	(1,624)	36,846	Corporate Items	25,208	(990)	24,218
189,671	(214,065)	(24,394)	Housing Revenue Account (HRA)	199,447	(222,038)	(22,591)
1,011,066	**(766,682)**	**244,384**	**Net Cost of Services**	**1,020,481**	**(776,086)**	**244,395**
35,562	(24,974)	10,588	Other Operating expenditure	30,798	(26,724)	4,074
53,965	(6,043)	47,922	Financing and investment income and expenditure	59,336	(6,557)	52,779
17	(253,747)	(253,730)	Taxation and non-specific grant income	18	(259,488)	(259,470)
1,100,610	**(1,051,446)**	**49,164**	**(Surplus) or Deficit on Provision of Services**	1,110,633	(1,068,855)	**41,778**
		96,395	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(28,044)
		(84)	(Surplus) or deficit from investments in equity instruments designated at fair value			(13)
		61,473	Actuarial (gains) or losses on pension assets / liabilities			(68,675)
		157,784	**Other Comprehensive Income and Expenditure**			**(96,732)**
		206,948	**Total Comprehensive income and Expenditure**			**(54,954)**

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

Balance Sheet

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

31 March 2019 £'000	Balance Sheet	31 March 2020 £'000	Notes
3,965,375	Property, Plant & Equipment	4,012,229	18
487	Heritage Assets	487	
32,675	Investment Property	33,178	19
10,752	Long Term Investments	5,843	23
8,687	Long Term Debtors & Prepayments	8,498	26
4,017,976	**Total Long-Term Assets**	**4,060,235**	
85,482	Short Term Investments	90,452	23
1,118	Inventories	2,183	
65,737	Short Term Debtors	84,723	26
20,791	Cash and Cash Equivalents	54,206	30
173,128	**Total Current Assets**	**231,564**	
(119,530)	Short Term Creditors	(126,274)	25
(30,375)	Short Term Borrowing	(72,888)	23
(24,523)	Cash and Bank Overdrawn	(26,474)	30
(12,058)	Short Term Provisions	(12,452)	27
(12,682)	Short Term Grants Receipts in Advance	(18,135)	38
(199,169)	**Total Current Liabilities**	**(256,224)**	
(20,341)	Long Term Provisions	(21,020)	27
(266,109)	Long Term Borrowing	(276,609)	23
(916,402)	Liability Related to Defined Benefit Pensions Scheme	(911,488)	36
(111,188)	Other Long Term Liabilities	(96,041)	23
(26,650)	Long Term Grants Receipts in Advance	(24,218)	38
(1,340,690)	**Total Long Term Liabilities**	**(1,329,376)**	
2,651,245	**Net Assets**	**2,706,199**	
284,991	Usable Reserves	281,145	MIRS
2,366,254	Unusable Reserves	2,425,054	29
2,651,245	**Total Reserves**	**2,706,199**	

Cash Flow Statement

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

2018/19 £'000	Cash Flow Statement	2019/20 £'000
(49,164)	**Net surplus or (deficit) on the provision of services**	**(41,778)**
160,993	Adjustments to the net surplus or deficit on the provision of services for non-cash movements	139,746
(43,560)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	101,375
68,269	**Net cash flows from Operating Activities (Note 31)**	**199,343**
(20,058)	Investing Activities (Note 32)	(217,559)
(46,148)	Financing Activities (Note 33)	49,680
2,063	**Net increase or (decrease) in cash and cash equivalents**	**31,464**
(5,795)	Cash and Cash equivalents at the beginning of the reporting period	(3,732)
(3,732)	**Cash and cash equivalents at the end of the reporting period (Note 30)**	**27,732**

Notes to the Accounts

1. Accounting Policies

i. General Principles

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

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

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

ii. Accruals of Income and Expenditure

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

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

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

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

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

iii. Cash and Cash Equivalents

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

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

iv. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to understand the council's financial performance.

v. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, other events and conditions on the council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

vi. 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.

vii. 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

viii. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

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

Post-Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

- The liabilities attributable to the service areas of both Islington council and LPFA pension funds are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (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.

ix. 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.

x. Financial Instruments

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

Expected Credit Loss Model

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

Fair value through other comprehensive income (FVOCI)

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

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

Financial Assets Measured at Fair Value through Profit of Loss

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

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

instruments with quoted market prices – the market price

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

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

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

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

xi. Foreign Currency Translation

Where the council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate as at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

xii. 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.

xiii. 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.

xiv. Interests in Companies and Other Entities

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

xv. Investment Property

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

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

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

xvi. 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.

xvii. 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).

<u>The Council as Lessor</u>

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

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

xviii. 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 fair value.

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Deprecation is calculated on the following bases:

- Dwellings and other buildings – Straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – Straight-line allocation over the useful life of the asset as advised by a suitably qualified officer
- Infrastructure – Straight-line allocation over 25 years.

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

Assets under Construction

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

xix. 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.

xx. 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.

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi. 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. Prior Period Adjustments

There have been no material prior period adjustments to the Statement of Accounts. No material errors have been identified in the 2018/19 Statement of Accounts requiring correction in this set of accounts.

3. Accounting Standards Issued, But Not Yet Adopted

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

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

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

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

4. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

Pensions Liability

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

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

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

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 to provide up to date assessments using accepted valuation bases and methods.

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

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

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

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

Depreciation and amortisation

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

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

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

Leases / Service Concessions

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

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

Outstanding Debtors

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

Bad Debt Provisions

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

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

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

Creditors

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

Insurance Provision

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

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

6. Significant Agency Income and Expenditure

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

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

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

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

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

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

7. Pooled Budgets

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

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

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

1) *Learning Disability Services Pooled Fund*: to improve the services received by vulnerable people in the community by integrating the service delivery and commissioning arrangements between health and social care.

2) *Intermediate Care Pooled Fund*: to reduce delayed transfers of care at the Whittington Hospital through the development and improvement of Intermediate Care Services, better acute hospital processes and joint monitoring of progress.

3) *Integrated Community Equipment Services Pooled Fund*: to integrate community equipment stock with no distinction between NHS and Social Services equipment; provide access to the stock by many more Assessors, appropriately trained, leading to one stop provision; and establish a purchasing regime that makes full use of technology, purchasing power and efficiency.

4) *Mental Health Commissioning Adult Mental Health Care Pooled Fund*: to improve the services received by people with mental health care needs in the community by integrating the service delivery and commissioning arrangements between health and social care.

5) *Carers Pooled Fund*: to improve the services and increase support given to people who act as independent carers by integrating the service delivery between health and social care. This is intended to improve the access to information and advice for carers, develop and train carers in their caring role to better meet their individual needs, as well as the people for whom they care for.

6) *MHCOP Pooled Fund:* to improve the services received by older people with mental health care needs who require residential services by integrating the service delivery and commissioning arrangements between health and social care.

7) *Mental Health Care Trust Pooled Fund:* to integrate the provision of health and social services for people with mental health needs in Islington. The fund will cover the provision of services for the following Client Groups: Adult MH Services Client group, Mental Healthcare of Older People Client group and Substance Misuse Services Client group.

8) *Better Care Fund:* to drive the transformation of local services to ensure that people receive better and more integrated care and support. The aims and outcomes are the development of a locality offer; enhancing primary care capacity; to meet demographic pressures in social care; and to incentivise providers to support integrated care.

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

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

Pooled Budgets 2019/20	Gross Expenditure	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	(14,432)	(18,982)			(33,414)
Totals	**107,270**	**(60,630)**	**(34,811)**	**(11,335)**	**(494)**	**(107,270)**

Pooled Budgets 2018/19	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	34,841	(30,615)	(4,226)	-	-	(34,841)
Intermediate Care Pooled Fund	6,584	(1,992)	(4,592)	-	-	(6,584)
Integrated Community Equipment Services Pooled Fund	1,706	(1,186)	(520)	-	-	(1,706)
Mental Health Commissioning Adult Mental Health Care	4,422	(2,242)	(2,180)	-	-	(4,422)
Carers Pooled Fund	873	(795)	(78)	-	-	(873)
MHCOP Pooled Fund	5,936	(3,354)	(2,582)	-	-	(5,936)
Mental Health Care Trust Pooled Fund	13,676	(3,005)	-	(10,671)	-	(13,676)
Better Care Fund	28,786	(11,741)	(17,045)			(28,786)
Totals	**96,824**	**(54,930)**	**(31,223)**	**(10,671)**	**0**	**(96,824)**

8. Members' Allowances

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

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

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

9. Officers' Remuneration

Senior officers' remuneration

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

Senior officers remuneration for 2019/20	Salary (Including fees & allowances)	Other Payments	Total Remuneration excluding pension contributions	Employers Pension contributions	Total Remuneration including pension contributions
Post	£	£	£	£	£
Chief Executive - L Roberts-Egan (i)	100,208	-	100,208	14,350	114,559
Corporate Director of People - C Littleton	150,547	-	150,547	21,829	172,376
Corporate Director of Environment & Regeneration (ii)	64,223	-	64,223	-	64,223
Corporate Director of Environment & Regeneration (iii)	100,679	-	100,679	14,599	115,278
Service Director Financial & Asset Management - Acting Section 151 Officer (iv)	33,841	3,372	37,213	4,907	42,120
Corporate Director of Housing	129,112	-	129,112	18,738	147,850
Director of Public Health (v)	115,673	-	115,673	16,718	132,390
Headteacher (Elizabeth Garrett Anderson) - J Dibb	150,547	-	150,547	16,718	167,265
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	**1,046,461**	**3,372**	**1,049,833**	**136,635**	**1,186,468**

(i) Chief Executive from September 2019, annualised salary was £185,000

(ii) Corporate Director of Environment & Regeneration until July 2019, annualised salary was £104,603

(iii) Corporate Director of Environment & Regeneration from July 2019, annualised salary was £137,694

(iv) Service Director Financial & Asset Management - Acting Section 151 Officer until July 2019, annualised salary was £122,222 . Other payments relate to paid leave

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

(vi) Head of Strategy & Change until November 2019, annualised salary was £74,130

(vii) Director of Service Finance - Acting Section 151 Officer from end of February 2020, amounts displayed reflects the period they reported to the Chief Executive

(viii) Acting Director of Law and Governance and Monitoring Officer, directly reported to the Chief Executive from November 2019 in the interim, amount displayed reflects the period they reported to the Chief Executive

(ix) Chief Accountant - Acting Section 151 Officer from November 2019 until end of February 2020, amount displayed reflects the period they reported to the Chief Executive

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

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

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

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

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

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

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

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

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

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

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

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

i) Interim Management Services from March

ii) Interim Head of Paid Service until September

iii) Interim Corporate Director of Resources from July until November

iv) Interim Corporate Director of People from end of November

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

vi) Interim Programme Director - Localities from end of September

vii) Interim Director of Corporate Transformation from October

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

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

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

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

Remuneration bands above £50k

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

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

Termination Benefits

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

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

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

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

10. Material transactions with related parties

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

UK Central Government

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

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

Members / Officers

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

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

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

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

11. Fees payable to the Appointed Auditor

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

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

* 18/19 Figure restated to reflect additional fees.

12. Expenditure and Funding Analysis

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

2018/19 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2018/19 Adjustments between the Funding and Accounting Basis £'000	2018/19 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Expenditure and Funding Analysis	2019/20 Net Expenditure Chargeable to the General Fund and HRA Balances £'000	2019/20 Adjustments between the Funding and Accounting Basis £'000	2019/20 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
65,920	2,351	68,270	People - Adult Social Services	67,999	3,252	71,251
64,728	4,093	68,821	People - Children, Employment and Skills (excluding Schools)	67,138	6,731	73,869
(2,486)	14,085	11,599	Schools	1,681	15,201	16,882
2,835	24,618	27,453	Environment and Regeneration	(1,611)	23,528	21,917
7,872	7,740	15,613	Housing	7,446	7,639	15,085
(633)	300	(333)	Public Health	(160)	403	243
1,315	272	1,587	Chief Executive	1,680	340	2,020
34,819	4,103	38,922	Resources	33,540	7,961	41,501
(183,202)	220,048	36,846	Corporate Items	(193,548)	217,766	24,218
(15,264)	(9,130)	(24,394)	Housing Revenue Account	(13,215)	(9,377)	(22,592)
(24,096)	**268,480**	**244,384**	**Net Cost of Services**	**(29,050)**	**273,444**	**244,394**
-	(195,220)	(195,220)	Other Income and Expenditure	-	(202,617)	(202,617)
(24,096)	**73,260**	**49,164**	**(Surplus) or Deficit**	**(29,050)**	**70,827**	**41,777**
(163,393)			Opening General Fund and HRA Balance*	(187,489)		
(24,096)			Less Deficit on General Fund and HRA Balance in Year	(29,050)		
(187,489)			Closing General Fund and HRA Balance	(216,539)		

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

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

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

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

Adjustments for Capital Purposes

This column includes the following adjustments:

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

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

Pensions Adjustments

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

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

Adjustments between accounting policies for internal management and financial reporting

Adjustments to reclassify items which the Code dictates must sit outside Cost of Services in the Comprehensive Income and Expenditure Statement but which are reported and managed internally under Corporate services and the HRA. Notes 15, 16 and 17 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.

13. Expenditure and Income Analysed By Nature

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

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

14. Adjustments between Accounting Basis and Funding Basis Under Regulations

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

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

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

2018/19

Adjustments between Account Basis and Funding Basis under Regulations

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

2018/19

Adjustments between Account Basis and Funding Basis under Regulations

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

15. Other Operating Expenditure

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

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

16. Financing and Investment Income and Expenditure

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

2018/19 Gross Expenditure £'000	2018/19 Gross Income £'000	2018/19 Net Expenditure £'000	Financing and Investment Income and Expenditure	2019/20 Gross Expenditure £'000	2019/20 Gross Income £'000	2019/20 Net Expenditure £'000
31,670	-	31,670	Interest payable and similar charges*	30,959	-	30,959
20,828	-	20,828	Net interest on the net defined benefit liability	21,676	-	21,676
-	(891)	(891)	Interest Receivable and similar Income	-	(1,410)	(1,410)
1,467	(5,152)	(3,685)	Income and expenditure in relation to investment properties and changes in the fair value	6,701	(5,147)	1,554
-	-	0	Gains/Loss on the disposal of investment properties	-	-	0
53,965	**(6,043)**	**47,922**	**Total**	**59,336**	**(6,557)**	**52,779**

17. Taxation and Non-Specific Grant Income

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

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

18. Property, Plant and Equipment

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

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

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

Depreciation

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

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

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

Revaluations

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

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

Capital Commitments

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

Capital Commitments	31 March 2020 *£'000*
Housing Commitments:	
New Builds	61,531
Major Works	32,893
Other Commitments:	
Environment & Regeneration	1,530
Total	**95,954**

19. Investment Properties

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

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

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

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

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

Fair value measurements

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

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

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

20. Leases

Council as Lessee

Finance Leases

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

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

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

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

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

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

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

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

Operating Leases

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

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

Council as Lessor

Finance Leases

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

Operating Leases

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

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

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

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

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

21. Private Finance Initiative and Similar Contracts

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

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

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

If the property is used for its entire life, and there is little or no residual interest, the arrangement falls within this scope where the first condition is met. Where the above tests are met, property used shall be recognised as an asset or assets of the local authority. Assets shall be recognised and accounted for in accordance with the Code. This is balanced by the recognition of a finance lease liability measured at the value of the related asset, and subsequently calculated using the actuarial method prescribed for finance leases.

The amounts payable to the PFI operators each year are analysed into five elements, as shown in paragraph xix of Note 1 (Accounting Policies).
The council has identified six schemes to be accounted for as service concession arrangements.

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

Details of the current schemes are as follows:

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

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

	Council Dwellings £ '000	Other Land and Buildings £ '000	Infra-structure £ '000	Total £ '000
Net Book Value at 1 April 2018	**334,318**	**71,031**	**8,419**	**413,768**
Additions	-	-	-	**0**
Depreciation & Impairment	(6,326)	(2,014)	(702)	**(9,042)**
Revaluation	(38,897)	4,755	-	**(34,142)**
Disposal	(655)	-	-	**(655)**
Other				
Net Book Value at 31 March 2019 (Restated*)	**288,440**	**73,772**	**7,717**	**369,930**
Net Book Value at 1 April 2019	**288,440**	**73,772**	**7,717**	**369,930**
Additions	-	-	-	**0**
Depreciation & Impairment	(6,224)	(1,967)	(702)	**(8,893)**
Revaluation	11,383	1,657	-	**13,040**
Disposal	(109)			**(109)**
Other				
Net Book Value at 31 March 2020	**293,490**	**73,462**	**7,015**	**373,968**
Movement in liabilities resulting from PFI or similar contracts:				
Value at 1 April 2018	**(56,256)**	**(69,600)**	**(8,223)**	**(134,079)**
New liability incurred	-		(433)	**(433)**
Repayments made in year	8,333	2,358	533	**11,224**
Value at 31 March 2019	**(47,923)**	**(67,242)**	**(8,123)**	**(123,288)**
Value at 1 April 2019	**(47,923)**	**(67,242)**	**(8,123)**	**(123,288)**
New liability incurred				
Repayments made in year	9,485	2,472	513	**12,471**
Value at 31 March 2020	**(38,438)**	**(64,770)**	**(7,610)**	**(110,817)**

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

The projected payments under the agreements are as follows:

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

22. Capital Expenditure and Capital Financing

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

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

23. 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 20
- Private Finance Initiative contracts detailed in Note 21
- trade payables for goods and services received

Financial Assets

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

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

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

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

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

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

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

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

Financial Instruments - Balances

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

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

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

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

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

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

Soft Loans

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

Equity instruments elected to fair value through other comprehensive income

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

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

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

Items of Income, Expense, Gains or Losses
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows:

Income, Expense, Gains and Losse	Financial Liabilities	Financial Assets			
	Amortised Cost	Amortised Cost	Elected to Fair Value through OCI	2019/20 Total	2018/19 Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(27,718)	-	-	(27,718)	(29,355)
Impairment losses	-	(2,849)	-	(2,849)	(2,320)
Interest payable and similar charges	**(27,718)**	**(2,849)**	**-**	**(30,567)**	**(31,675)**
Interest income	-	1,329	-	1,329	838
Dividend income	-	-	81	81	16
Impairment loss reversals	-	-	-	-	38
Interest and investment income	**-**	**1,329**	**81**	**1,410**	**892**
Net impact on surplus/deficit on provision of services	**(27,718)**	**(1,520)**	**81**	**(29,157)**	**(30,783)**
Gains on revaluation	-	-	13	13	9
Impact on other comprehensive income	**-**	**-**	**13**	**13**	**9**
Net Gain/(Loss) for the Year	**(27,718)**	**(1,520)**	**94**	**(29,144)**	**(30,774)**

Fair Values of Assets and Liabilities

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

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

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

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

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

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

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

Financial Liabilities

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

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

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

Financial Assets

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

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

24. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

The main risks covered are:

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

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

Credit Risk

Treasury Investments

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

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

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

Credit Rating	31 March 2020		31 March 2019	
	Long-term	Short-term	Long-term	Short-term
	£'000	£'000	£'000	£'000
AA+	5,000	144,194	10,000	105,404
Unrated private companies and other organisations (net of loss allowance)	747	58	668	79
Total	**5,747**	**144,252**	**10,668**	**105,483**
Credit risk not applicable *	96	-	84	-
Total Investments	**5,843**	**144,252**	**10,752**	**105,483**

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

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

Trade Receivables

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

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

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

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

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

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

Loans, Financial Guarantees and Loan Commitments

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

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

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

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

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

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

*Opening balance has been restated.

Liquidity Risk

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

The maturity analysis of the financial instruments is as follows:

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

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

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

Market Risk

Interest Rate Risk

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

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

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

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

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

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

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

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

Price Risk

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

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

25. Short Term Creditors

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

26. Debtors

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

27. Provisions

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

Analysis of Balance at 31 March 2020						
Settled within 12 months	2,375	7,584	-	613	1,881	**12,452**
More than 12 months	11,870	8,365	785	-	-	**21,020**
	14,245	**15,949**	**785**	**613**	**1,881**	**33,472**

Legal claims outstanding (Social Services Charges)

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

Business Rate Appeals

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

Insurance Provision

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

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

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

28. Transfers to/from Earmarked Reserves

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

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

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

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

29. Unusable Reserves

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

a) Revaluation Reserve

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

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

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

b) Capital Adjustment Account:

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

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

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

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

2018/19 £'000	Capital Adjustment Account	2019/20 £'000
(2,254,889)	**Balance as at 31 March**	**(2,284,074)**
(21,863)	Capital Expenditure Financed from Usable Capital Receipts	(30,112)
(44,604)	Capital Expenditure Financed from the Major Repairs Reserve	(46,326)
(3,193)	Capital Expenditure Financed from Revenue Resources	(161)
(21,133)	Capital Expenditure funded by Grant	(25,183)
7,477	REFCUS funded by Capital Receipts	8,762
-	Amortisation of Intangible Assets	-
14,049	Gains / Losses on revaluation of non-current assets	20,012
2,553	Impairments of non-current assets	2,125
59,055	Depreciation of PPE non-current Assets	57,618
(1,283)	Minimum Revenue Provision	(1,893)
(10,716)	Repayment of Obligations arising from PFI Contracts/Lease liabilities	(11,755)
(8,006)	Write out of Gains relating to Revalued Disposed Assets	(4,759)
12,871	Current Value of Disposed Assets	9,139
(12,079)	Write out of depreciation on revalued amounts (HCA)	(11,608)
(2,313)	Gains and losses on Fair Value of Investment Properties	1,558
(29,185)	**Total Increase / (Decrease) in Amounts Set Aside to Finance Capital**	**(32,583)**
(2,284,074)	**Balance as at 31 March**	**(2,316,657)**

c) Financial Instruments Adjustment Account

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

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

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

d) Pensions Reserve:

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

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

e) Collection Fund Adjustment Account: :

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

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

f) Accumulated Absences Account

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

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

30. Cash and Cash Equivalents

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

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

Further information on liquid investments is included in note 23.

31. Cash Flow Statement – Operating Activities

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

2018/19 £'000	Operating Activities Adjustments	2019/20 £'000
(49,164)	**Net Surplus or (Deficit) on the Provision of Services**	**(41,778)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
59,053	Depreciation	57,618
16,603	Impairment and downward valuations	22,136
(354)	Increase/Decrease in Creditors	2,436
(6,589)	Increase/Decrease in Debtors	(17,158)
(358)	Increase/Decrease in Inventories	(1,064)
69,829	Movement in Pension Liability	63,765
64	Increase/(decrease) in impairment for bad debts	243
12,871	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	9,139
9,874	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	2,631
160,993	**Total**	**139,746**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(24,608)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(26,725)
6	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	152,618
(18,958)	Any other items for which the cash effects are investing or financing cash flows	(24,518)
(43,560)	**Total**	**101,375**
68,269	**Net Cash Flows from Operating Activities**	**199,343**

The cash flows for operating activities include the following items:

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

32. Cash Flow Statement – Investing Activities

2018/19 £'000	Investing Activities	2019/20 £'000
(108,919)	Purchase of property, plant and equipment, investment property and intangible assets	(110,422)
-	Purchase of short-term and long-term investments	(152,700)
(5,221)	Other payments for investing activities	(8,938)
24,364	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	24,956
37,000	Proceeds from short-term and long term investments	-
32,718	Other receipts from investing activities	29,545
(20,058)	**Net cash flows from investing activities**	**(217,559)**

33. Cash Flow Statement – Financing Activities

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

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

34. Contingent Liabilities and Assets

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

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

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

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

Termination Benefits
The cost of termination benefits in 2019/20 is detailed in Note 9. Some further cuts to the council's workforce may take place over the medium term. The significant costs in terminating employment contracts in the future cannot be estimated with any great degree of accuracy as they will depend on a number of factors related to the individuals concerned, such as grade and length of service.

Contractual claims pending

None pending.

Guarantees given

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

Contingent Assets

None known.

35. Events After the Balance Sheet Date

The draft Statement of Accounts 2019/20 was authorised for issue on 3 July 2020 by David Hodgkinson, Corporate Director of Resources. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

36. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The council participates in two post-employment schemes:

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

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

Transactions Relating to Post-Employment Benefits

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

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

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

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

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

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

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

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

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

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

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

Reconciliation of Asset Ceiling

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

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

Local Government Pension Scheme assets

The Fund's assets consist of the following categories:

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

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

Basis for Estimating Assets and Liabilities

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

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

The significant assumptions used by the actuary have been:

	Funded and Unfunded				Unfunded	
	Islington Council Pension Fund		London Pensions Fund Authority		Discretionary Benefits Teachers Pension Scheme	
	31 March 19	31 March 20	31 March 19	31 March 20	31 March 19	31 March 20
Mortality assumptions						
Longevity at 65 for current pensioners (in years):						
Men	23.1	22.7	20.6	20.8	23.1	23.1
Women	26.3	25.7	23.7	23.6	26.3	26.3
Longevity at 65 for future pensioners (in years):						
Men	25.3	24.2	23.0	22.8	0.0	0.0
Women	28.6	27.6	26.0	25.9	0.0	0.0
Rate of inflation	2.3%	2.2%	2.5%	1.9%	2.3%	2.1%
Rate of increase in salaries	3.8%	3.6%	4.0%	2.9%	0.0%	0.0%
Rate of increase in pensions	2.4%	2.4%	2.5%	1.9%	2.4%	2.2%
Rate of discounting scheme liabilities	2.8%	2.4%	2.3%	2.3%	2.7%	2.4%

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

Impact of the Authority's Cash Flows

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

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

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

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

The authority is exposed to a number of risks:

LGPS

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

LPFA

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

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

Defined Benefit Scheme - Accrued Pensions Contributions

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

37. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pension Scheme

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

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

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

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

NHS Pension Scheme

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

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

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

38. Grant Income

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

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

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

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

39. Dedicated Schools Grant

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

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

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

40. Trust Funds and Other Third Party Funds

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

Housing Revenue Income and Expenditure Account

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

Income and Expenditure Statement for the Housing Revenue Account

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

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

Statement of Movement on the Housing Revenue Account Balance

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

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

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

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

Notes to the Housing Revenue Account

1. Number and Types of Dwellings

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

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

2. Value of Dwellings

The value of council Dwellings as at 31 March 2020 was £3,048 billion. The basis of the valuation for these dwellings is "Existing Use Value for Social Housing" based on the vacant possession value of the properties, adjusted to reflect theoccupation by a secure tenant. The vacant possession factor remained at 25% in 2019/20 which means that the vacant possession value of the dwellings within the HRA as at 31 March 2020 is £12,191 billion. The difference between the vacant possession and the balance sheet value shows the economic cost to the government of providing social housing at less than open market rents.

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

3. Major Repairs Reserve

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

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

4. Capital Expenditure and Capital Receipts

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

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

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

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

*2018/19 REFCUS, Borrowing and Capital Receipts have been amended for REFCUS relating to the general fund.

5. Depreciation

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

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

6. Contribution to Pension Reserve

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

7. Rent Arrears

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

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

Collection Fund Statement

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

Income and Expenditure Statement

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

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

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

Notes to the Collection Fund Statement

C1. Council Tax

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

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

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

C2. Council Tax Base

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

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

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

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

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

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

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

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

C4. Business Rates Supplement (BRS) - Crossrail.

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

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

C5. Collection Fund Share of (Surplus)/Deficit

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

Pension Fund

Fund Account

2018/19 £'000	Pension Fund Account (dealing with members, employers and others directly involved in the scheme)	2019/20 £'000	Note
	Contributions receivable		
24,721	Employer contributions	27,697	7a
10,128	Deficit recovery contributions	10,058	7a
12,127	Members contributions	12,970	7b
3,631	Transfers in from other pension funds	5,452	8
2,572	Other Income	2,647	9
53,180	**Total Income**	**58,824**	
	Benefits payable		
(47,273)	Pensions	(50,220)	10
(8,967)	Lump sum benefits	(10,217)	10
(7,466)	Payment to and on account of leavers	(6,450)	11
(63,707)	**Total Expenditure**	**(66,887)**	
(10,527)	**Net additions/ (withdrawals) from dealing with members**	**(8,063)**	
(2,937)	**Management Expenses**	**(3,275)**	**12**
(13,464)	**Net additions/ (withdrawals) including fund management expenses**	**(11,338)**	

	Returns on investments		
16,393	Investment income	17,948	13
66,385	Change in market value (realised & unrealised)	(24,534)	
82,779	**Total Returns on investments**	**(6,586)**	

	Net return on investments		
69,315	Net increase/decrease in fund in year	(17,924)	
1,307,421	**Opening net assets of the scheme**	**1,376,736**	
1,376,736	**Closing net assets of the scheme**	**1,358,812**	

Net Assets Statement

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

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

Notes to the Pensions Account

1. Description of Fund

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

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

a) General

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

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

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

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

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

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

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

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

b) Membership

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

Organisations participating in the Islington Pension Fund include the following:

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

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

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

c) Fund Membership

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

d) Funding

Contributions are credited to the Pension Fund consisting mainly of:

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

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

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

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

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

e) Benefits

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

Other Types of Retirement Pension:

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

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

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

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

ii. Payment of a Contribution Equivalent Premium (CEP) restores the Employee's rights in the state pension scheme as if he/she had not been contracted out, and extinguishes his/her accrued rights to a guaranteed minimum pension (GMP) in the local government pension scheme.

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

2. Basis of Preparation

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

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

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

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

3. Summary of Significant Accounting Policies

Fund Account – revenue recognition

a) Contributions

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

b) Transfers

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

c) Investment Income

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

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

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

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

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

Fund Account – expense items

d) Benefits Payable

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

e) Taxation

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

Input VAT is generally recoverable on all Fund activities.

f) Expenses

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

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

Administrative expenses

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

Oversight and governance costs

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

Investment management expenses

All investment management expenses are accounted for an accrual basis.

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

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

Net assets statement

Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Stock Lending
The fund does not participate in stock lending.

Additional Voluntary Contributions
Additional Voluntary Contributions (AVCs) paid by scheme members are not included within the accounts as these are managed independently of the fund by specialist AVC fund providers. This is in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulation 2016. Total contribution paid by members during 2019/20 amounted to £267k and pending the year statement from the AVC providers, the estimated value of the fund as at 31 March 2020 was £1.58m.

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 19. This estimate is subject to significant variances based on changes to the underlying assumptions that have agreed with the actuary and have been summarised in Note 18.

COVID-19 Impact

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

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits.	Estimation of the net liability to pay pensions and the judgements used in these estimations are carried out by the actuary, Mercer. The significant judgements are in regard to the discount rate used, salary increase projections, and retirement age.	The effect of variations is analysed and necessary adjustment made when estimations are reviewed over the long term.
Private equity investments	Private equity investments are valued at fair value in accordance with international Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such, there is a degree of estimation involved in the valuation.	Net asset valuations are always estimates until assets are sold

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

b) Members' Contributions

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

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

8. Transfers In

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

9. Other Income

2018/19 £'000	Other Income	2019/20 £'000
-	Income from Other Investments	-
-	Interest	-
2,572	Other	2,647
2,572	**Total other income**	**2,647**

Other income are amounts other than contributions and investment income.

10. Benefits

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

Benefits Payable	Pensions		Lump sum benefits		Lump sum death	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Administering Authority						
Islington Council	43,903	46,653	6,879	8,550	1,487	958
Scheduled Bodies						
St Mary Magdalene Academy	25	25	-	-	-	-
City of London Academy	40	61	27	107	93	-
The New North Academy	9	12	-	66	-	-
William Tyndale School	20	24	-	25	-	-
The Courtyard	5	5	-	-	-	-
Tech City (Stem 6th form Academy)	1	2	8	7	-	-
Elliot Foundation	0.21	-	-	-	-	-
The Bridge School	-	2	-	12	-	-
City of London Academy Highbury Grove	-	4	-	-	-	-
City of London Primary Academy, Islington	-	-	-	-	-	-
Hungerford School	-	8		54	-	-
Volunteering Matters (CSV)	1,238	1,287	251	153	24	13
Aquaterra	240	227	65	-	-	-
CEA	831	851	-	-	-	-
FSST	3	4	-	-	-	-
Kier Islington Ltd (Caxton)	578	588	-	-	-	-
St Lukes	2	2	-	-	-	-
Redbrick	2	2	-	-	-	-
Circle Anglia	70	72	-	-	-	-
ALA	20	21	-	-	-	-
Notting Hill Trust	8	22	-	19	-	-
Camden & Islington NHS Foundation Trust	59	89	36	78	-	-
Pleydell	-	6	-	89	-	-
SSE Contracting Ltd (Islington Lighting)	54	55	-	-	-	-
Brunswick	9	10	-	-	-	-
Southern Housing Group	-	3		8	-	-
Cushman & Wakefield LLP	8	8	-	-	-	-
Mouchel Parkman	32	33	-	-	-	-
London Property Maintenance	0	-	-	-	-	-
Caterlink	18	20	5	14	-	-
Engie Ltd (Balfour Beatty)	24	28	32	17	-	-
Kier Support Services	20	20	-	-	-	-
Breyers	-	12	-	47	-	-
Mears	16	16	-	-	-	-
Greenwich Leisure Ltd	22	22	-	-	-	-
WJ Catering	12	23	57	-	-	-
Isledon Arts CIC	1	-	2	-	-	-
Alliance In Partnership	2	3	-	-	-	-
Totals	**47,274**	**50,220**	**7,364**	**9,246**	**1,603**	**971**

11. Payments to and on Account of Leavers

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

12. Management Expenses

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

12(a) Administrative Expenses

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

12(b) Investment Expenses

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

12(c) Oversight and Governance Cost

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

13. Income from Investments

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

14. Investments

Investments	Market value 01 Apr 19 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 20 £'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
Other Investment - P.I.V		-	-	-	-
Properties - P.I.V	260,677	4,560	(10,190)	1,596	256,643
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total	**1,364,616**	**161,924**	**(159,272)**	**(24,534)**	**1,342,734**
Other Investment & Cash	22,263				13,457
Total Investments	**1,386,879**				**1,356,191**

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

Investments	Market value 01 Apr 18 £'000	Purchases at cost and derivative payments £'000	Sale proceeds and derivative receipts £'000	Change in market value £'000	Value as at 31 Mar 19 £'000
Fixed interest securities	80	-	-	(2)	78
Indexed linked securities	125	-	-	-	125
Equities	163,729	-	(4,879)	4,065	162,915
Pooled investment vehicles (P.I.V)	934,079	5,798	(111,190)	45,490	874,177
Other Investment - P.I.V	-	-	-	-	
Properties - P.I.V	195,601	65,433	(11,590)	11,233	260,677
Private Equity - P.I.V	26,287	619	(7,360)	7,887	27,433
Infrastructure - PIV	-	61,397	(19,899)	(2,287)	39,211
Total	**1,319,901**	**133,247**	**(154,918)**	**66,386**	**1,364,616**
Other Investment & Cash	14,084				22,263
Total Investments	**133,985**				**1,386,879**

14(a)

Investment Assets by Type		2018/19 £'000	2019/20 £'000
Fixed interest securities (valued at Bid Price)			
Fixed interest securities (valued at Bid Price)		78	75
Total Fixed interest securities		**78**	**75**
Index -linked			
UK public sector quoted		125	115
Total Index -linked		**125**	**115**
Equities (valued at Bid Price)			
UK quoted		125,805	97,759
Overseas quoted		37,111	25,227
Total Equities		**162,916**	**122,986**
Pooled investment vehicles (valued at Bid Price)			
UK Managed Funds	Property	117,187	111,742
	Other : Bond	157,775	155,012
Overseas Managed Funds	Other : Equity	162,254	150,026
	Property	25,781	20,119
	Other : Private Equity	27,433	23,342
UK Unit trusts (valued at Bid Price)	Property	117,709	124,782
	Other	554,147	571,000
Infrastructure Investment		39,211	63,535
Total Pooled investment vehicles		**1,201,497**	**1,219,558**
Insurance policies			
Insurance policies			
Other investment balances (valued at Amortised cost)			
Outstanding trades		-	
Outstanding dividends & RWT		2,058	1,292
Cash deposits : Sterling		9,913	11,557
Cash deposits : Other		10,293	608
Total Other investment balances		**22,263**	**13,457**
Total Investment Assets		**1,386,879**	**1,356,191**

Type of future	Expiration	Market Value	Market Value
UK FTSE exchange traded	Less than 1 year	-	-
UK gilt exchange traded	Less than 1 year	-	-
Total		**0**	**0**

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

15. Investments exceeding 5% of net assets

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

Security	Market value 31 March 2020 £'000	% of total fund	Market value 31 March 2019 £'000	% of total fund
LBI Self-Managed UK quoted	97,760	7.2%	125,805	9.1%
London CIV Pooled - Newton MSCI All Country World	211,891	15.6%	218,049	15.8%
London CIV Pooled Allianz MSCI World	0	0.0%	118,596	8.6%
Standard Life Bonds Pooled Investment Vehicle iBoxx Sterling Non Gilt	155,012	11.4%	157,775	11.5%
Aviva Lime Property UK Unit Trust	124,782	9.2%	117,709	8.5%
Threadneedle Pooled Investment Property AREF IPD All Balanced	82,680	6.1%	88,673	6.4%
Legal & General Pooled Investment Vehicle	150,026	11.0%	162,254	11.8%
Schroders Pooled Investment Multi Asset	106,480	7.8%	113,648	8.3%
LGIM Pooled Investment Managed Funds	75,839	5.6%	22,471	1.6%
BMO Pooled Investment MSCI Emmerging Market	59,902	4.4%	76,207	5.5%
London CIV RBC EQ RBC Bmk	112,364	8.3%	0	0.0%

16. Current Assets

2018/19 £'000	Current Assets	2019/20 £'000
706	Contributions due from Employers & Employee	1,884
46	Sundry Debtors	87
2793	Cash Balances	4,038
3,545	**Total**	**6,009**

17. Current Liabilities

2018/19 £'000	Current Liabilities	2019/20 £'000
(930)	Accrued Benefits	(1,049)
(480)	**Sundry Creditors	(638)
(8,863)	*Receipt in Advance	-
(3,415)	Accrued Expenses	(1,701)
(13,688)	**Total Current liabilities**	**(3,388)**
2018/19 £'000	**Non-Current Liabilities**	**2019/20 £'000**
-	*Receipt in Advance	-
0	**Total Non-Current Liabilities**	**0**
(13,688)	**Total Liabilities**	**(3,388)**

18. Actuarial Postion

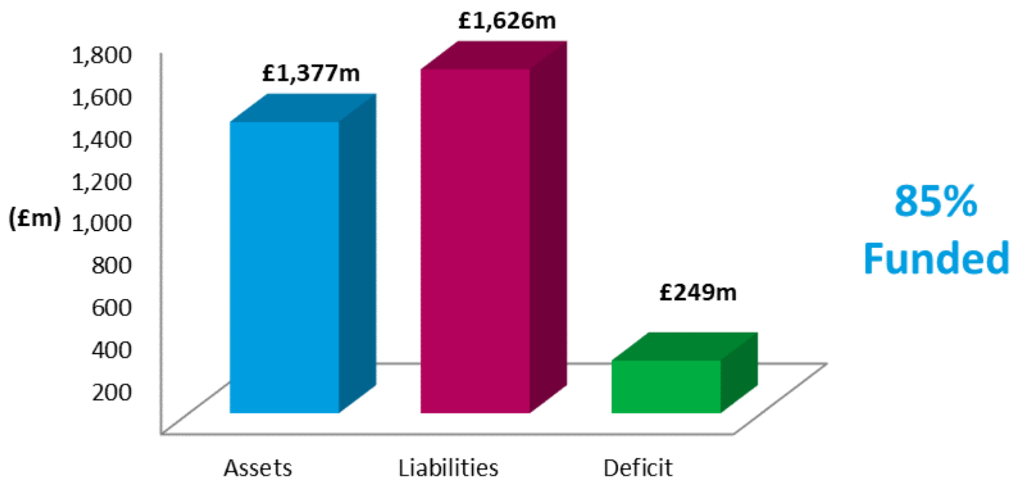
ISLINGTON COUNCIL PENSION FUND

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020 - STATEMENT BY THE CONSULTING ACTUARY

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

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

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



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

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall.
The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 19 years, and the total initial recovery payment (the "Secondary rate" for 2020-2023) is an addition of approximately £5.5m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this is predominantly paid in year one with surplus off-sets applying in the subsequent two years.

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

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers
The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation

of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

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

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

The assets were assessed at market value.

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

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The government announced in 2019 that this needs to be remedied for all public sector schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

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

Impact of COVID-19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

19. Actuarial Present Value of Promised Retirement Benfits for the Purpose of IAS 26

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2020 (the 31 March 2019 assumptions are included for comparison):

	31 March 2019	31 March 2020
Rate of return on investments (discount rate)	2.4% per annum	2.4% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.2% per annum	2.1% per annum
Rate of pay increases*	3.7% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

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

The demographic assumptions are the same as those used for funding purposes, with the 31 March 2020 assumptions being updated to reflect the assumptions adopted for the 2019 actuarial valuation. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

Corporate bond yields were similar at the start and end of year resulting in the same discount rate of 2.4% p.a. being used for IAS 26 purposes at the year-end as for last year. The expected long-term rate of CPI inflation decreased during the year, from 2.2% p.a. to 2.1%, which served to decrease the liabilities slightly over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2019 was estimated as £2,295 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£55 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£24 million (this includes any increase in liabilities arising as a result of early retirements and and GMP indexation – see comments elsewhere in this statement).

There was also a decrease in liabilities of £133 million due to "actuarial gains" (i.e the effects of the *changes in the actuarial assumptions used, referred to above, and the incorporation of the 31 March 2019 actuarial valuation results into the IAS26 figures).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2020 is therefore £2,241 million.

GMP Indexation

At present, the public service schemes are required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK government may well extend this at some point in the future to include members reaching State Pension Age from 6 April 2021 onwards, which would give rise to a further cost to the LGPS and its employers. If the Fund were required to index-link GMP benefits in respect of those members who reach their State Pension Age after April 2021, then this would increase the Fund liabilities by about £10 million on IAS26 assumptions, and we have included this amount within the final IAS26 liability figure above.

Paul Middleman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

Michelle Doman
Fellow of the Institute and
Faculty of Actuaries
Mercer Limited
May 2020

20. Additional Voluntary Contributions

These amounts are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016.

2018/19 Market Value £'000	Additional Voluntary Contribution	2019/20 Market Value £'000
1,237	Prudential	1,283
215	Equitable life	213
87	Phoenix Life (formerly NPI)	81
1,539	**Total Additional Voluntary Contributions**	**1,577**

21. Contingent Assets and Liabilities

There were no contingent assets or liabilities in 2019/20.

22. Contractual Commitments

The fund has outstanding commitments totalling £93.92m as at 31 December 2019. Two private equity fund managers Pantheon Ventures £4.54m and Standard Life £4.79m. One fund of funds private global property manager, Franklin Templeton Fund 1 and Fund II £12.20m. The two Infrastructure managers, Quinbrook Infrastructure Partners and Pantheon Access, £13.64m and £58.73m respectively.

23. Related Parties

Islington Pension Fund is administered by Islington council. As at 31 March 2020, the Pension Fund is due from the Islington council £0.320m (£11.7m~31 March 2019). Full contributions from the council for the year are disclosed in Note 2.

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

24. Key Management Personnel

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

2018/20 £'000		2019/20 £'000
(50)	Short-term benefits	(51)
(10)	Post-employment benefits	(9)
(60)		**(60)**

25. Post Balance Sheet Events

None.

26. 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.

27(a) Price and Currency Risk

Price and currency risk can be quantified by observing the potential market movement on the riskier assets and possible change in valuation.

Price risk

Price Risk	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	141,568	14.20%	161,609	121,528
Overseas Equities	521,700	11.70%	582,732	460,667
Total Bonds	155,012	5.70%	163,876	146,148
Pooled Multi Asset	106,480	6.70%	113,616	99,343
Cash	87,912	1.00%	88,756	87,068
Property	256,643	1.90%	261,621	251,665
Infrastructure	63,535	6.00%	67,333	59,736
Private Equity	23,341	11.70%	26,066	20,617
Total Assets	**1,356,191**	**6.00%**	**1,437,628**	**1,274,755**

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

Price Risk	Final Market Value as at 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
UK Equities	162,708	8.50%	176,615	148,801
Overseas Equities	583,630	10.00%	642,213	525,046
Total Bonds	157,775	5.40%	166,273	149,276
Pooled Multi Asset	113,648	4.60%	118,861	108,436
Cash	19,327	0.50%	19,424	19,231
Property	260,677	3.20%	269,041	252,313
Infrastructure	39,211	5.50%	41,356	37,066
Private Equity	27,433	13.20%	31,060	23,805
Total Assets	**1,364,409**	**5.30%**	**1,436,358**	**1,292,458**

Currency risk

Currency Risk(by asset class)	Final Market Value as at 31/03/20 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	521,700	7.40%	560,057	483,342
Overseas Private Equity	23,342	7.40%	25,058	21,625
Overseas Infrastructure	63,535	7.40%	68,206	58,864
Overseas property	20,119	7.40%	21,598	18,640
Total Assets	**628,695**		**674,920**	**582,471**

Currency Risk(by asset class)	Final Market Value as at 31/03/19 £'000	% Change	Value on Increase £'000	Value on Decrease £'000
Overseas Equities	583,630	5.60%	616,542	550,717
Overseas Private Equity	27,433	5.60%	28,980	25,886
Overseas Infrastructure	39,211	5.60%	41,422	37,000
Overseas property	25,780	5.60%	27,234	24,327
Total Assets	**676,054**	5.60%	**714,178**	**637,930**

27(b) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. The fund's corporate bond securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Committee and its investment advisors regularly monitor the Fund's interest rate risk exposure during the year via its fund managers and asset allocation.

Interest rate – risk sensitivity analysis

The fund recognises that interest rates can vary and can affect both income to the fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. Fixed interest securities, cash and cash equivalents are exposed to interest rate risk. The table below demonstrates the change in value of these assets had the interest rate increased or decreased by 1%.

Assets Exposed to interest rate risk	Value at 31 March 2020 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	93,469	92,534	94,404
Fixed interest securities	75	74	76
Total	**93,544**	**92,608**	**94,480**

Assets Exposed to interest rate risk	Value at 31 March 2019 £'000	Impact of 1% decrease £'000	Impact of 1% increase £'000
Cash and cash equivalent	25,056	24,805	25,307
Fixed interest securities	78	77	79
Total	**25,134**	**24,882**	**25,385**

27(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.

27(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 2019, liquid assets were £1,269m representing 94% of total fund assets (£1,320m at 31 March 2019 representing 95% of the Fund at that date). The majority of these investments can in fact be liquidated within a matter of days at a cost. The fund also manages a Passive UK Equities in house, which gives access to cash dividend income on a regular basis.

28.Financial Instruments

The following table provides an analysis of the financial assets and liabilities of Pension Fund grouped into Level 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2020	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£'000	£'000	£'000	£'000
Financial Assets				
Financial assets at fair value through profit and loss	1,269,314		86,877	1,356,191
Loans and Receivables	4,038	1,971		6,009
Total Financial Assets	**1,273,352**	**1,971**	**86,877**	**1,362,200**
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(3,388)		(3,388)
Total Financial Liabilities	**-**	**(3,388)**	**-**	**(3,388)**
Net Financial Assets	**1,273,352**	**(1,417)**	**86,877**	**1,358,812**

Values at 31 March 2019	Quoted Market Price	Using Observable Inputs	With Significant Unobservable inputs	Total
	Level 1	Level 2	Level 3	
Financial Assets				
Financial assets at fair value through profit and loss	1,319,901	-	66,644	1,386,879
Loans and Receivables	2,793	752		3,545
Total Financial Assets	**1,323,029**	**752**	**66,644**	**1,390,424**
Financial Liabilities				
Financial liabilities at fair value through profit and loss				-
Financial liabilities at amortised cost		(13,688)		(13,688)
Total Financial Liabilities	**-**	**(13,688)**	**-**	**(13,688)**
Net Financial Assets	**1,323,029**	**(12,936)**	**66,644**	**1,376,736**

Valuation of financial instruments carried a fair value

The valuation of financial instruments had been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities and quoted index linked securities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange. Pooled funds are pooled fund with other institutions and hold individual securities, buildings or bonds and can be priced daily as such they are classified as level I.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. These instruments include our private equity managers and cash held in the fund.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which The Islington council Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken annually at the end of December Cash flow adjustments are used to roll forward the valuation to 31 March as appropriate.

28(a) Reconciliation of Fair Value Measurements within Level 3

Reconciliation of assets within level 3	Value at 31 March 2019	Purchases during the year	Sales during the year	Change in market value during the year	Value at 31 March 2020
	£'000	£'000	£'000	£'000	£'000
Private Equity - P.I.V	27,433	-	(6,784)	2,693	23,342
Infrastructure - PIV	39,211	21,023	(461)	3,762	63,535
Total Level 3 Assets	**66,644**	**21,023**	**(7,245)**	**6,455**	**86,877**

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.

29. Investment Assets by Fund Manager

Investment Assets by Fund Manager	2018/19 £'000	2019/20 £'000
LBI In House Fund		
EQUITIES		
UK quoted - LBI self-managed	125,805	97,760
Overseas quoted - LBI self-managed	37,111	25,227
CASH DEPOSITS		
Sterling	2,625	4,182
Other	9,808	600
OTHER INVESTMENT BALANCES		
Outstanding Dividends/Tax	1,571	1,021
FIXED INTEREST		
UK	78	75
INDEX-LINKED		
UK	125	115
POOLED FUNDS		
UK	5,177	4,524
Total LBI In House Fund	**182,300**	**133,504**
Newton - London CIV		
POOLED FUNDS		
UK quoted	218,049	211,891
CASH DEPOSITS		
Sterling	109	92
Other	477	0
OTHER INVESTMENT BALANCES		
Outstanding Dividends	390	271
Total Newton	**219,025**	**212,254**
Allianz/ LONDON CIV		
POOLED FUNDS		
Other	118,596	0
CASH DEPOSITS		
Sterling	284	376
Other	8	9
OTHER INVESTMENT BALANCES		
Outstanding Dividends	97	
Total RCM	**118,985**	**385**

Standard Life Bonds		
POOLED INVESTMENT VEHICLES		
Managed funds	157,775	155,012
Pantheon		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	9,174	7,001
Standard Life		
POOLED INVESTMENT VEHICLES		
Private equity - overseas	18,258	16,340
Aviva Lime Property		
UK UNIT TRUSTS		
Property	117,709	124,782
Threadneedle Pensions		
POOLED INVESTMENT: Property	88,673	82,680
Thesis		
POOLED INVESTMENT: Property	28,514	29,062
BNY Mellon		
CASH DEPOSITS : Sterling	6,894	6,906
outstanding fx trades		
Total BNY Mellon	**6,894**	**6,906**
Legal & General		
POOLED INVESTMENT VEHICLES		
Managed funds	162,254	150,026
Franklin Templeton		
Pooled Investment Global Property	25,781	20,119
Schroders		
Pooled Investment Multi Asset	113,648	106,480
BMO		
Pooled Investment Managed Funds	76,207	59,902
LGIM		
Pooled Investment Managed Funds	22,471	75,839
Pantheon Infrastructure		
Infrastructure	16,500	21,741
Quinbrook Infrastructure		
Infrastructure	22,711	41,794
RBC/ LONDON CIV		
POOLED FUNDS		
	0	112,364
Total Investment Assets	**1,386,789**	**1,356,191**

Glossary of Financial Terms

Accounting Standards: A set of rules about how accounts are to be kept. By law local authorities must follow "proper accounting practices" which are set out both in acts of parliament and in professional codes and statements of recommended practice.

Accruals: The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Accumulated Absences Account: absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year

Asset Register: A record of council assets, including land and buildings, housing, infrastructure and vehicles, equipment etc., kept for the purposes of calculating capital charges to be made to service revenue accounts. It is updated annually to reflect new acquisitions, disposals etc.

Bad Debt Provisions: Amount of money set aside to meet cost of monies owed to the council that are not expected to be repaid.

Balances: The amount of money left over at the end of the year after allowing for all expenditure and income that has taken place. These are also known as financial reserves.

Capital Expenditure: Expenditure on the purchase, construction and enhancement of council assets such as houses, offices, schools, roads etc. Expenditure can only be treated as "capital" if it meets the statutory definitions and is in accordance with "proper accounting practices".

Capital Adjustment Account: Represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or the repayment of external loans and certain other financing transactions.

Capital Financing Costs: The revenue cost of paying for capital expenditure. These costs are made up of interest on borrowing and the repayment of loans (similar to repayment of a domestic mortgage). This results in the costs of capital schemes being spread over a number of years within the revenue accounts.

Capital Grants: Monies received from government departments and other statutory bodies towards the council's capital expenditure.

Capital Receipts: Income over £10,000 from the sale of a fixed asset. They can only be used to finance other capital expenditure or repay outstanding debt on assets financed from loan.

Central Support Services: The Best Value Accounting Code of Practice (SeRCOP) requires the reallocation of central support services' costs, such as legal and finance, to General Fund service heads, the Housing Revenue Account and trading accounts in order to provide a more accurate picture of how much services cost in their totality.

Chargeable Dwellings: The number of dwellings in the council's area liable for council tax.

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

Collection Fund Adjustment Account: Represents the difference between the accrued council tax income due for the year credited to the Income and Expenditure Account in accordance with the SORP and the amount of monies due from the Collection Fund in line with regulations. This adjustment takes place through the Statement of the Movement on the General Fund Balance.

Contingent Liabilities: Sums of money that the council will be liable to pay in certain circumstances e.g. as a result of losing court cases. Contingent liabilities are either:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or
(b) a present obligation that arises from past events but is not recognised because:
(i) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
(ii) the amount of the obligation cannot be measured with sufficient reliability.
A contingent asset arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control.

council tax: A tax on domestic property values.

Creditors: Amounts of money owed by the council for goods of services received.

Debt Charges: The cost of borrowing money to meet capital expenditure, including principal payments and interest charges.

Debtors: Amounts of money owed to the council for goods or services provided.

Deferred Capital Receipts: This refers to income of a capital nature that will be received in future accounting periods. A corresponding debtor normally offsets it; for example, receipts related to mortgages made by the council.

Deferred Credits: Income of a revenue nature received in advance.

Deferred Liability: This relates to obligations arising from past events, the settlement of which is expected to result in an outflow from the organisation. Under both finance and operating leases, the lessee acquires a contractual right to enjoy the future economic benefits embodied in the leased property over the lease term.

Depreciation:
A provision made in the accounts to reflect the value of assets used during the year e.g. a vehicle purchased for £10,000 with a life of five years would depreciate on a straight line basis at the rate of £2,000 p.a. Depreciation forms part of the "capital charge" now made to service revenue accounts and is covered by International Accounting Standard (IAS) 16.

Direct Expenses: Expenditure on employees or running costs that are directly controlled by the service involved.

Direct Revenue Financing (DRF): The use of revenue monies to pay for capital expenditure, also known as Revenue Contributions to Capital Outlay.

Disposals: Sales of council's assets - see Capital Receipts.

Emoluments: All sums paid to or receivable by an employee including the money value of any other benefit received other than in cash.

External Auditors: The auditor appointed via the PSAA to carry out an audit of the council's accounts. Currently this is Grant Thornton UK LLP, who has responsibilities to ensure that:

- The council's accounts are prepared in compliance with applicable statutory provisions;
- The council has complied with the Service Reporting Code of Practice (SeRCOP);
- The council has observed proper accounting practices in compiling the accounts;
- The council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Revaluation Reserve Account: Represents principally the balance of surpluses or deficits arising on periodic revaluation of fixed assets.

General Fund: The council's main revenue account that covers the net cost of all services.

Heritage Assets: A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.

Housing General Fund: That part of the Housing Service's budget which does not relate to the council's landlord functions. This includes costs of homelessness and rent allowances. These services appear as a separate Service Head within the General Fund budget.

Housing Revenue Account (HRA): A statutory account that contains all expenditure and income on the provision of council Housing for rent. The HRA is a ring-fenced account within the General Fund. Local authorities are not allowed to make up any deficit on the HRA from its own resources.

Indirect Employee Expenses: Employee overheads and other costs incurred in employing staff apart from pay e.g. removal expenses etc.

Infrastructure: A classification of fixed assets which includes facilities required to enable other developments to take place (e.g. roads, street lighting) and similar environmental works.

Intangible Assets: An intangible item, such as software licences and development expenditure, may meet the definition of an asset when the council controls access to the future economic benefits that it represents.

Leases: Certain types of leasing arrangements are not treated as capital expenditure and the council can use them to lease computer equipment and vehicles without the costs having to be met from capital resources such as borrowing. They are known as "operating leases", but the council must also consider the cost of future "leasing charges". This benefit does not apply to "finance leases" where ownership transfers to the lessee.

Leasing Charges: The annual rental payments on items such as vehicles and computers that have been leased by the council.

Levies: Payments to London-wide bodies such as the Lee Valley Regional Park Authority. The cost of these bodies is borne by local authorities in the area concerned based on their council tax base and is met from the General Fund.

Long Term Debtors: These debtors represent the capital income still to be received where sales of assets have taken place and deferred receipts such as mortgages have been agreed.

Members' Allowances: Payments to councillors, authorised by law, in respect of the costs incurred in carrying out their duties as elected representatives.

Minimum Revenue Provision: The minimum amount, which the council must charge to the General Fund in the year, in respect of the repayment of principal of borrowing for capital purposes. The minimum provision is currently expressed as 4% of the council's General Fund capital financing requirement.

Non-Domestic Rates (NDR): The rates paid by businesses. The amount paid is based on a rateable value set by the Inland Revenue multiplied by a national rate in the £ set by the government.

Preceptor: Preceptors are other authorities who get their income from the billing authorities in their area. In London there is now a single preceptor, the Greater London Authority (GLA).
The Greater London Authority and its component bodies calculate their total spending needs for the year and the GLA sets its council tax in the same way as a London Borough. Each billing authority then collects their tax for them.

Provision: An amount of money set aside in the budget to meet known liabilities that will arise in the future but may not be quantifiable at present.

Prudential Code: This is new system, which plays a key role in capital finance and came into effect on 1 April 2004. It provides local authorities the financial freedom to borrow, provided that such borrowing is prudent, affordable and sustainable.

Rateable Value: The value of a property for rating purposes. The Inland Revenue sets rateable values. The rates payable by an individual business, are calculated by multiplying the rateable value of the property by the rate in the £ set by the government.

Recharges: A charge from one account to another to reflect the cost of a service provided. They are included in Service budgets under the heading of "Support Services".

Related Party Transactions: These are material transactions between the council and other bodies (related parties) such as government departments, preceptors, the Pension Fund and council funded organisations that must be disclosed in financial statements. In the context of the Statement of Accounts, material transactions between Councillors and Service Heads (and any member of their immediate family or other person living at the same address) with related parties must be disclosed. This includes directorships, employment at a senior level, or significant financial interests in companies or partnerships or voluntary organisations who have material transactions with the council.

Reserves: The amounts held by way of balances and funds that are free from specific liabilities or commitments.

Revenue Contribution to Capital Outlay (RCCO): The use of revenue monies to pay for capital expenditure - also known as Direct Revenue Financing (DRF).

Revenue Expenditure Funded from Capital Under Statute (REFCUS): – Expenditure which would otherwise have been classified as revenue, but which was classified as capital expenditure for control purposes. It includes items such as financial assistance towards capital investment incurred by other parties, works on properties not owned by the authority and any amounts specifically directed by the Secretary of State for individual authorities.

Revenue Support Grant: The main grant payable to support local authority revenue expenditure. A local authority's RSG entitlement is intended to make up the difference between expenditure, and income from NDR and council tax so that, if all local authorities spent in line council tax, would be the same throughout the country.

Section 151 Responsibilities: Section 151 of the Local Government Act 1972 (as amended) sets down responsibilities on the council concerning the appointment of a Chief Financial Officer and the management of its financial affairs.

Specific Grants: A grant receivable from a government department that relates to expenditure incurred on providing a particular service e.g. Dedicated Schools Grant (DSG).

Support Service: A service provided for other Service Heads within the council rather than direct to the public, including payroll, computing, central personnel and legal services.

Supported Capital Expenditure: Allocations from the government under the new Prudential Code that replaces the previous system of credit approvals. These allocations enable services to borrow to fund capital schemes, and they will receive revenue funding to pay for the borrowing costs.

Trading Accounts: The profit and loss account of any trading organisation required to be disclosed separately in the council’s accounts.

Transitional Relief: Abatements to Business Rates to mitigate the effects of changes resulting from revaluations.

Turnover: In the context of the Statement of Accounts, the value of work carried out by a trading organisation.

Ultra Vires: This literally means 'beyond the power'. Local authorities are only allowed to do things for which they have specific legal powers. If they spend money on anything else, this is illegal and is referred to as being 'ultra vires'.

Unsupported Borrowing: Local Authorities can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the government so services need to ensure they can fund the repayment costs. This borrowing may also be referred to as Prudential Borrowing.

Usable Capital Receipts: The proportion of capital receipts which the council is able to use for capital spending purposes and which is not required to set aside to redeem debt.

Write-offs: Income is recorded in the council's accounts on the basis of amounts due. When money owing to the council cannot be collected the income already shown in the accounts has to be reduced or written off

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ISLINGTON

London Borough of Islington

2019-20 Final Annual Governance Statement

1. Scope of responsibility

1.1. Islington Council is responsible for ensuring that its business is conducted in accordance with the law and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Additionally, the Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Council has approved and adopted a code of corporate governance which is consistent with the seven principles of the CIPFA/SOLACE framework Delivering Good Governance in Local Government 2016. A copy of the code is on our website, included in the Council's Constitution.

1.3. This statement explains how the Council has complied with the code and also meets the requirements of Regulation 6 (Part 2) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement. In line with the CIPFA/SOLACE framework, this statement is "an open and honest self-assessment" of the Council's performance across all of its activities and:

- Describes the key elements of the Council's governance arrangements, covering all corporate systems and the range of activities for which the Council is responsible;
- Describes processes applied in reviewing their effectiveness, and
- Lists actions proposed to deal with significant governance issues identified.

2. The purpose of the governance framework

2.1. The governance framework comprises the systems, policies, processes, culture and values by which Islington Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3. The governance framework described in this document has been in place at Islington Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

3. The governance framework

This section describes the key elements of Islington Council's governance arrangements.

3.1. ***Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistleblowing and conflicts of interest and ensuring that these codes and policies are communicated effectively.***

3.1.1. The Council expects the highest standard of conduct and behaviour from all its Members and officers. Responsibility for promoting, developing and maintaining these high standards lies with the Audit Committee, supported by the Standards Committee. The Standards Committee is responsible for considering complaints regarding alleged breaches of the Members' Code of Conduct. The Audit Committee receives an annual report on Member conduct. In accordance with the Localism Act 2011, the Council has appointed Independent Persons who have statutory functions in relation to the process for dealing with complaints of breach of the Code.

3.1.2. Part 6 of the Constitution contains the revised Members Code of Conduct, which sets out the rules for registering and declaring interests; it also includes protocols on Member/Officer Relations, Financial Regulations and Procurement Rules, and the Members Call for Action.

3.1.3. Part 7 of the Constitution contains the Members' Allowance Scheme, which includes details on Members' eligible expenses. The scheme is reviewed annually taking into account advice and recommendations of the London Council's Independent Remuneration Panel.

3.1.4. An Employee Code of Conduct is reviewed, revised and publicised to staff.

3.1.5. The Council has established a whistle blowing policy in accordance with the requirements of the 1998 Public Interest Disclosure Act. This forms part of the Council's Anti-Fraud Policy. The Audit Committee reviews and updates the whistle blowing policy and receives a report concerning whistleblowing bi-annually. The updated policy was approved by Audit Committee on 31 January 2019.

3.1.6. The whistle blowing policy is publicised to staff via the corporate induction process, internal newsletters and on the Council's intranet and internet sites. The policy encourages employees to report inappropriate action by other employees, Members and external Council contractors, without fear of victimisation or retribution. Whistle blowing referrals are promptly investigated by Internal Audit, where appropriate, after initial referral to the Head of Internal Audit.

3.1.7. The Council has a formal two-stage process for managing complaints. Our aim is to ensure that when things go wrong, we respond quickly to put things right. The process is set out on the Council's website and copies are available from the Central Complaints Team.

3.1.8. The Council has a Corporate Complaints Team responsible for the overall management of complaints. Its aim is to ensure the Council learns and improves its performance as a result of customer feedback. Departmental Complaints Officers record and report on all complaints, and the service response is monitored.

3.1.9. Customers and residents who are dissatisfied with how the Council has dealt with a complaint can contact the Local Government and Social Care Ombudsman or the Housing Ombudsman; an independent, impartial and free service. The Ombudsman has powers to independently investigate complaints about how the Council has acted.

3.2. *Ensuring compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful.*

3.2.1. The Council's Personnel Sub-Committee is responsible for the appointment (save on an interim basis) of Corporate Directors, Service Directors, statutory chief officers and for making a recommendation to Council on the appointment of the Chief Executive. The committee is comprised of both members of the Executive and back-bench members of the Council and appointments are made in accordance with the Recruitment Protocol. The members of the Personnel Sub-Committee participate in some of the preliminary decisions prior to the formal meetings of the committee, such as longlisting, and have an important role in helping to shape the recruitment process.

3.2.2. In accordance with the Officer Employment Rules in Part 4 of the Council's Constitution, the appointment and dismissal of non-chief officers will be discharged by the Chief Executive or the Corporate Director of the department in which that officer is employed. The Chief Executive and Corporate Directors may delegate this function to Service Directors, Heads of Service and Service Managers in their department.

3.2.3. A new Chief Executive started in post at the Council in September 2019 and a new Corporate Director of Resources began in April 2020.

3.2.4. Chief Officers are responsible for ensuring that their staff operate in accordance with human resources policies, and the Code of Conduct for Employees promote high standards of behaviour and are reinforced by appropriate training. As well as providing legal support on specific projects and issues, the Council's Legal Service provides proactive updates, training and advice to Chief Officers, staff and Members on new legislation and case law developments and changes to existing legislation and regulations. All decision making reports to the Council, its Committees and the Executive include appropriate legal implications. Legal Services also provide legal implication comments for reports to Chief Officers and to meetings of the Corporate Management Board. A representative of the Service attends all Council, Executive, Planning and Licensing meetings and other meetings when requested.

3.2.5. The Internal Audit service produces an annual plan, which identifies key strategic and operational risks facing the Council and sets out a programme of work designed to provide assurance to the Section 151 Officer, Management and Members that the Council complies with relevant laws, regulations, internal policies and procedures. All internal and external audit reports are available to the Audit Committee, which also receives an annual report on the primary risks facing the Council.

3.3. *Documenting a commitment to openness and acting in the public interest.*

3.3.1. The Council's Constitution, through the Local Code of Corporate Governance sets out the Council's commitment to:

- Focus on the purpose of the authority and on outcomes for the community;
- Work effectively with officers to achieve a common purpose, whilst understanding the clearly defined different functions and roles;
- Promote the values of the authority and demonstrate the values of good governance by upholding high standards of conduct and behaviour;
- Take informed and transparent decisions which are subject to effective scrutiny;
- Develop their own capacity and capability;
- Engage with local people and other stakeholders.

3.3.2. The Council also sets out its commitment to Freedom of Information and Environmental Information Regulations in its Access to Information Policy. The Council sets out its commitment to complying with Individual Rights, as set out in the General Data Protection Regulation, in the Individuals Rights Policy.

3.3.3. A comprehensive Data and Information Management policy suite is in place to ensure staff are aware of their obligations to keep personal data secure. All staff are also briefed on Data Protection and Information Governance responsibilities via ‘pop-up’ training, and must complete two mandatory eLearning courses on GDPR and data handling.

3.3.4. The Council has an Information Asset Register and a Record of Processing Activity in place to ensure that it manages its information and identified and mitigates any risks efficiently.

3.3.5. The Information Commissioner’s Office (ICO) carry out compulsory audits or ask organisations to participate in a ‘consensual’ audit. The Council participated in a consensual audit by the ICO in 2015. The Council are required by law to refer data breaches to the ICO where they meet the threshold for reporting. The Council reported two incidents in 2019-20 and both were closed with no further action as the ICO were satisfied with the remediation actions undertaken by the Council. Individuals are also entitled to escalate complaints to the ICO, these arise either from a Freedom of Information (FOI) or Data Protection (DP) concern (late/incomplete subject access request, alleged data breach etc). The ICO can issue a decision notice in response to an FOI complaint (this can be for or against the Council). The ICO can also issue practice recommendations or fines in relation to breaches of DP legislation (e.g. breach of data or another breach of legislation such as failing to respond to a subject access request in one month). The Council have had no decision notices or practice recommendations issued in 2019-20.

3.4. *Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.*

3.4.1. The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council websites, email, social media channels, public meetings and the quarterly magazine delivered to residents. Surveys of residents are undertaken (most recently in 2018) to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications.

3.4.2. Through its Fairer Together programme, the Council has established channels of communication with different sections of the community, enabling community groups and voluntary sector organisations to co-develop our aspirations for a fairer Islington with collaboration and partnership between different community stakeholders. This work, will build on our Voluntary and Community Sector Strategy 2016-2020 to support the development of a strong, vibrant and resilient voluntary and community sector.

3.4.3. The Council facilitates a number of networks with community partners in particular for voluntary sector organisations and faith communities working to promote equalities outcomes for communities with protected characteristics. This is supplemented by an annual programme of community and equality events delivered in partnership with the borough's voluntary and community sector.

3.4.4. Under the communications banner of 'We Are Islington' the Council has worked with an extensive variety of community organisations to establish a cross-community celebrating Islington Festival delivered by a consortium of equality networks and advice, engagement and support for EU Nationals affected by Brexit.

3.4.5. An annual Voluntary and Community Sector Conference, delivered in partnership with Voluntary Action Islington, provides an opportunity for engagement with a wide number of local organisations that work closely with some of the most vulnerable residents.

3.4.6. Through its VCS Partnership Grants Programme, the Council has made commitments of £2.7 million per annum until March 2020 to 49 voluntary and community sector organisations. This includes £1.414 million for advice services (including Islington Law Centre, Citizens Advice Bureau, Islington People's Rights and Help on Your Doorstep advocacy service), £220,000 to borough-wide infrastructure partners and networks, £395,000 to delivery partners, £597,000 to community hubs and £35,000 for a borough-wide volunteering offer.

3.4.7. Alongside this, the Council runs small grants programmes, including the Islington Council Community Chest fund and Local Initiatives Fund which facilitate clear communication channels with all sections of the community and promote and enable community resilience.

3.4.8. Council meetings are open to the public; the only exception is for agenda items that are confidential. The time, date and location of public meetings are displayed on the Islington website.

3.4.9. Ward partnership meetings provide a means for councillors to engage with residents and organisations in their ward to discuss local issues. Those meetings are open to the public.

3.5. *Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning and translating the vision into courses of action for the authority, its partnerships and collaborations.*

3.5.1. The central aim of the Council's Administration is to make Islington a fairer place. The Council's priorities to achieve its vision of a fairer Islington are set out in 'Building a Fairer Islington' our Corporate Plan for 2018-22.

3.5.2. The Council's seven key priorities are:

- **Homes** - Delivering decent and genuinely affordable homes for all

- **Jobs and Money** – Delivering an inclusive economy, supporting people into work and helping them with the cost of living
- **Safety** – Creating a safe and cohesive borough for all
- **Children and young people** – Making Islington the best place for all young people to grow up
- **Place and environment** – Making Islington a welcoming and attractive borough and creating a healthier environment for all
- **Health and independence** – Ensuring our residents can lead healthy and independent lives
- **Well run council** – Continuing to be a well-run council and making a difference despite reduced resources

3.5.3. These priorities and the intended outcomes have been communicated to staff, residents and service users in newsletters, on the Council's website (www.islington.gov.uk) and through a variety of other media. The Council also uses large print and translated documents to make the information accessible.

3.5.4. In enabling a clear focus on key priorities for Corporate Management Team for the year ahead, the Council drafted a delivery plan to feed into the corporate plan. This document set out key ambitions, priorities and deliverables for the Council in 2020. This is now being refreshed in line with the changing context in light of Covid-19.

3.5.5. The Council uses feedback from surveys and complaints in its commissioning strategies and actively engages with service users and carers to co-produce plans for service development and service change.

3.6. *Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.*

3.6.1. Part 3 of the Council's Constitution sets out the bodies or officers that are responsible for discharging the Council's executive and non – executive functions. The terms of reference of these bodies are set out in Part 5 of the Constitution. These include specific responsibilities for ensuring the Council has effective governance arrangements in place.

3.6.2. The Council's functions may lawfully be exercised by:

- Council;
- The Executive;
- The Leader;
- Individual members of the Executive (although only in very limited circumstances in Islington);
- Individual Ward Members (although not currently in Islington as the Council has not decided to delegate any such powers);
- Committees and Sub-Committees of the Council or the Executive;
- Joint Committees;
- Officers, and

- Other persons authorised under specific legislation.

3.6.3. The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the majority of the Council's most significant decisions, which are made in line with Council policy and budget. Its functions and terms of reference are set out in Parts 3 and 5 of the Constitution. Executive agendas, minutes and summaries of decisions are available on the Council website.

3.6.4. Decision making arrangements are set out in the Constitution. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The limited powers delegated to individual portfolio holders are set out in the Constitution as is the process should the Leader decide to exercise any Executive functions personally. In accordance with the Local Government Act 2000, the Council has mechanisms in place to allow the effective, independent and rigorous examination of the proposals and decisions by the Executive. These mechanisms involve the overview and scrutiny process, call-in and question time. The conduct of the Council's business is governed by the Constitution.

3.6.5. The Constitution includes formal delegation of responsibility and accountability, the Council's Procurement Rules and Financial Regulations. The Monitoring Officer and Section 151 Officer have overall responsibility for ensuring that standing orders, standing financial instructions, the scheme of delegation and supporting material are up to date and clearly communicated.

3.6.6. The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery. The scrutiny function supports effective decision making and policy development by the Executive. The Policy and Performance Scrutiny Committee and Review Committees are responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of poor performance and the development of an effective strategy/policy framework for the Council and its partners. This includes consideration of medium term financial strategy. The Policy and Performance Scrutiny Committee and Review Committees are the scrutiny bodies responsible for monitoring the performance of the Council and its partners in relation to their stated policy and priorities.

3.6.7. All formal meetings are clerked by well-trained and experienced Democratic Services Officers and lawyers are present when appropriate to provide advice on law and constitutional procedure. Members are required to make sound decisions based on written reports, which are prepared in accordance with the Council's report writing guidelines, and have to be cleared by relevant officers including Finance and Legal Services and by portfolio holders. Reports must address the impact on residents, including equalities impact and environmental impact, together with financial and legal implications and risks.

3.7. *Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.*

3.7.1. The Council has in place a robust Performance Management Framework to ensure effective delivery of services and priorities. Elements are:

- Corporate Performance Indicator Suite – performance measures covering key services, priorities and equalities objectives;
- Internal monitoring and challenge around performance and delivery through Departmental Management Teams, Corporate Management Board and (with Executive Members) through Political Leadership Meetings and Joint Board;
- Performance reporting to scrutiny committees, including more in depth scrutiny of specific topics;
- Public reporting and scrutiny through quarterly reports to scrutiny committees, including more in depth scrutiny of specific topics; and
- Overall monitoring of corporate performance through the Policy and Performance Scrutiny Committee.

We are currently developing a suite of measures that will help us monitor the impacts and response to COVID-19. These will either replace or sit alongside existing corporate performance measures. Arrangements for internal and public reporting are also being drawn up.

3.7.2. Copies of performance reports to the Council's five scrutiny committees can be found on the Council website in the Democracy section of the website.

3.8. *Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.*

3.8.1. The Council's Constitution sets out how the Council operates, how decisions are made transparently, and how the Council demonstrates its accountability to residents and local businesses.

3.8.2. The Constitution also sets out the roles and responsibilities of the Executive, other member level decision making bodies and officers. A Publicity Protocol governing Members' and Committees' communication is set out in Part 6 of the Constitution; compliance with this is supported by a specialist Communications Team.

3.8.3. The Constitution is updated at least annually to reflect any internal or legislative changes. Key amendments coming into effect in 2019/20 included an update to the Terms of Reference of Personnel Sub Committee, and updates to the Members Allowance Scheme, the

Procurement Rules and clarification of the delegations in relation to decisions about council owned property.

3.9. *Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) and ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).*

3.9.1. The Interim Corporate Director of Resources and the S151 officer were responsible for leading and directing financial strategy and operations for 2019-20. These officers were responsible for:

- Ensuring lawfulness and financial prudence of decision-making;
- Reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) and the Council's external auditor if they consider that any proposal, decision or course of action will involve incurring unlawful expenditure; or is unlawful and is likely to cause a loss or deficiency; or if the Council is about to enter an item of account unlawfully, and
- Providing advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to Members.

3.9.2. The Head of Internal Audit gives an objective based opinion on all aspects of governance, risk management and internal control, and reports quarterly to the Audit Committee.

3.9.3. The Corporate Governance Group meets at regular intervals to discuss and monitor compliance with corporate systems of internal control, data security and governance issues. The group includes the Corporate Director of Resources , the Director of Law and Governance (the Council’s Monitoring Officer) and the Head of Internal Audit. Representatives from each department are also included in the membership of this group.

3.10. *Ensuring effective arrangements are in place for the discharge of the monitoring officer function.*

3.10.1. The roles and responsibilities in respect of the democratic process are set out in detail in the Constitution. The Director of Law and Governance is responsible, as Monitoring Officer, for:

- Maintaining and keeping under review the Constitution (setting out in particular the bodies and post holders able to exercise the Council's functions, and the code of conduct for members) and making this widely available to Councillors, officers and the public.
- Holding an up-to-date list of authorisations issued by the Directors to other officers under Part 3, paragraph 8.6 and Appendix 3 of the

Constitution, authorising other officers to exercise functions delegated to them under the Constitution.

- Reporting to full Council (or to the Executive if the matter to which the report relates is an Executive function) if they consider that any proposal, decision or omission has given, may or would give rise to unlawfulness or has given rise to any maladministration which has been investigated by the Ombudsman.
- Contributing to the promotion and maintenance of high standards of conduct through provision of support to the Standards Committee and by maintaining a Register of Interests of Councillors and voting co-opted members of the Council.
- Receiving and acting on complaints that a member has breached the Islington Members' Code of Conduct.
- Advising whether decisions of the Executive are in accordance with the Policy Framework and the Budget.
- Advising Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues.

3.11. *Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function.*

3.11.1. The Chief Executive is the Head of Paid Service and works closely with elected members to deliver the following:

- Leadership: working with elected members to ensure strong and visible leadership and direction, encouraging and enabling managers to motivate and inspire their teams.
- Strategic direction: ensuring all staff understand and adhere to the strategic aims of the organisation and follow the direction set by the elected members.
- Policy advice: acting as the principal policy adviser to the elected members of the Council to lead the development of workable strategies which will deliver the administration's objectives.
- Partnerships: leading and developing strong partnerships across the local community to achieve improved outcomes and better public services for local people.
- Operational management: overseeing financial and performance management, risk management, people management and change management within the Council.

3.12. *Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.*

3.12.1. The Council is committed to the on-going professional development of Members and officers. Upon election, all Members are provided with a corporate induction and offered access to an on-going training and development programme. Details of all training provided to Members is reported to Audit Committee annually and was last reported on 2 September 2019.

3.12.2. Since the local elections in May 2018, training and development has been provided to Councillors on both a group and individual basis. There is an ongoing development programme with a number of dates scheduled for planned training each year. This has included personal development skills based work as well as specific knowledge. Councillors have also attended various conferences and away days as well as specific events put on by the LGA and London Councils.

3.12.3. In 2019-20, the Council moved from an annual performance appraisal model to a Quality Conversations approach to employee performance management. This approach will ensure that meaningful conversations take place between managers and employees as regularly as required to manage and improve personal and organisational performance, to build trusting relationships and that the Council's employees the right skills and behaviours to help achieve success.

3.12.4. New employees attend the Council's corporate induction programme, in addition to which directorate and role specific training is provided where needed. Information on staff training, development programmes and courses available are regularly publicised on the Council's intranet website, IC Bulletin and News Roundup, which includes an induction training course for all new Islington staff and Managers. There is compulsory training for staff on key issues such as equality, data security and health and safety.

3.13. *Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.*

3.13.1. The Council continues to make efforts to improve the risk maturity of the organisation and move towards a more risk aware culture by embedding risk management into business as usual practices. During 2019, a number of targeted risk management training sessions were held to help improve risk management knowledge in key areas (such as Strategy, Resources and People). A review of the risk management framework is planned for the coming year to ensure the framework remains fit for purpose and supports the Council in the pro-active identification, assessment, control and reporting of risks.

3.13.2. The Council's Principal Risk Report is reviewed and updated annually and presented to the Audit Committee. The process is led by the Council's Risk Manager and Head of Internal Audit, in consultation with risk owners, Directorate Managements Teams (DMTs) and the Corporate Management Board (CMB).

3.13.3. The work of Internal Audit, in accordance with their Annual Audit Plans, continues to be directed towards the high-risk areas as identified within the Principal Risk Report and local risk assessments.

3.14. *Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).*

3.14.1. The Council's Anti-Fraud Strategy incorporates promotes a zero tolerance approach to fraud and incorporates the Council's fraud response plan. The Council's whistleblowing policy provides a mechanism for suspected fraud to be reported confidentially.

3.14.2. The Head of Internal Audit has overall responsibility for anti-fraud related activity and reports outcomes of whistleblowing investigations bi-annually to the Audit Committee.

3.14.3. Completed anti-fraud work in 2019-20 produced reports in a number of areas with recommendations to strengthen controls and further mitigate fraud risk.

3.14.4. The Council participates in the National Fraud Initiative. The Council has also participated in the CIPFA Counter Fraud Hub pilot to explore options for better use of data across London.

3.15. *Ensuring an effective scrutiny function is in place.*

3.15.1. The Policy and Performance Scrutiny Committee and the theme based scrutiny committees enable Councillors to scrutinise the performance of the Council and its partners and decisions made by the Executive.

3.15.2. Scrutiny Committees have responsibility for overseeing performance of the service area within their remit. There are four Scrutiny Committees, closely aligned with Council departments as follows:

- Children's Services Scrutiny Committee;
- Health and Care Scrutiny Committee (to cover Public Health and Adult Social Care);
- Environment and Regeneration Scrutiny Committee, and
- Housing Scrutiny Committee.

3.15.3. Policy and Performance Scrutiny Committee acts as the Scrutiny Committee for those areas not covered above i.e. Crime, Employment, Finance and Resources and is initially responsible for all Councillor Calls for Action.

3.15.4. Each Executive Member is required to report annually to the relevant scrutiny committee on delivery of services and priorities within their portfolio. The Executive Member is accompanied by the relevant Corporate Director. Details are set out in the performance management framework.

3.15.5. Accountability and effectiveness of other service providers is addressed through relevant partnership arrangements, including the Safer Islington Partnership, Children and Families Board and the Health and Wellbeing Board.

3.15.6. The Council's scrutiny committees can undertake more in-depth research into particular challenges or concerns, and request evidence from other service providers and external organisations.

3.16. *Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities (CIPFA, 2018).*

3.16.1. The Audit Committee's terms of reference are set out in Part 5 of the Constitution and are in accordance with recommendations from CIPFA. Its key responsibilities include approval of the annual Internal Audit work plan, review and approval of the annual Statement of Accounts and monitoring the effectiveness of the Council's corporate governance activities and promoting high standards of member conduct.

3.16.2. The Committee meets on at least a quarterly basis. Since its inception, it continues to review and report on the Council's auditing processes, with particular regard for performance, value for money, and governance issues. The Committee includes independent members.

3.16.3. The Audit Committee and its two Sub-Committees deal with a range of matters including Council accounts and audit functions, personnel and pension functions.

3.16.4. The regular training of the Audit Committee's members helps ensure the Committee is able to effectively discharge its responsibilities.

3.16.5. The Audit Committee has independent members suitably qualified and trained to support the committee in an advisory capacity.

3.17. *Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.*

3.17.1. Internal Audit assesses the level the implementation of audit recommendations and reports bi-annually to CMB and the Audit Committee. The External Audit is factored into the work plan of the Resources Directorate and adequate resources are devoted to this. Information needed by the External Auditors is provided promptly and the Council remains in regular dialogue with the External Auditors throughout the year.

3.18. *Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.*

3.18.1. The Council works in partnership with a wide range of organisations from the statutory sector, third sector and business sector to deliver services for local people and drive forward improvements in Islington. Partnership working includes different types of relationships – from contractual arrangements between the Council and other organisations to deliver services or projects through to strategic forums (some of which are required by statute, others voluntary) which bring partners together around the table to agree how best to tackle key challenges and shared priorities. Some have funding to allocate and targets to meet, others provide a steer to inform individual partners' priorities and commissioning.

3.18.2. Governance arrangements vary depending on the nature of partnership working but are designed to ensure that the partnership remains appropriate, effective and fit for purpose. In addition, the Council's Financial Regulations provide guidance on best practice in managing partnership arrangements.

3.18.3. Where the relationship is a contractual one i.e. funding to deliver an agreed service, the contract or service level agreement will set out requirements around use of funding, what is to be delivered, targets, measurable outputs and how the contract is to be monitored, reviewed and evaluated. Contracts and budgets are managed by the relevant department with the Corporate Director having overall responsibility.

3.18.4. Where the relationship is a strategic one, for instance membership of a partnership such as the Safer Islington Partnership, the Terms of Reference will set out governance and accountability arrangements.

3.18.5. Generally speaking, most partnerships and forums are not legal entities - partners are there on a voluntary basis and the Council is usually the formal accountable body in terms of any targets or funding that falls within the remit of the partnership.

3.18.6. Where a partnership is a mandatory requirement, e.g. the Safer Islington Partnership and Children's Trust Boards, there will be an expectation set out in legislation on named partners to attend. Even in the case of non-mandatory partnerships such as the Children and Families Board or the Islington Partnership Board, partners may agree 'mandatory' membership from key organisations.

3.18.7. Over the past decade, the Council has worked closely with its partners through the Islington Partnership Board (IPB). The IPB discusses priorities for the borough, shares information about key issues affecting individual organisations and agrees joint working arrangement for cross cutting challenges such as youth unemployment and welfare benefit reforms.

3.18.8. Where the partnership involves sharing data then either a contract or an Information Sharing Agreement will be in place.

3.18.9. The Health and Wellbeing Board, which includes membership from the Council, Islington Clinical Commissioning Group and Healthwatch Islington provides the mechanism for leadership of the local health and wellbeing system, maintaining an overview of account for improvement in health and wellbeing outcomes, and ensuring effective coordination and integration of commissioning plans to secure best use of resources and population health outcomes.

4. Assurance

4.1 Review of Effectiveness

4.1.1. Regulation 6 of Part 2 of The Accounts and Audit Regulations 2015 requires that relevant bodies conduct, at least once in each year, a review of the effectiveness of the system of internal control. The findings of the review must be considered by the body to ensure that it has the system of internal control required by Regulation 3.

4.1.2. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, the Council's self-assessment (as per 4.2 below) and also by comments made by the external auditors and other review agencies and inspectorates.

4.2. Self-assessment

4.2.1. In line with section 5 of the CIPFA/SOLACE Delivering Good Governance in Local Government 2016 (guidance notes), the Council holds a comprehensive self-assessment which details the Council's effectiveness in applying principles of good governance in practice.

4.2.2. The self-assessment, having been completed for the first time in 2016-17 by key officers across the Council; has been annually updated since. The self-assessment indicated that the Council had achieved a sound level of implementation of good governance principles in a number of areas, with some areas requiring improvement. Directorate level self-assessments were also completed in-year.

4.3. External Audit and Inspectorates

4.3.1. The annual external audit of the Statement of Accounts has consistently produced an unqualified opinion with little or no material or immaterial adjustments. The same also applies to the audit of grant claims and returns.

4.3.2. Adult Social Care is subject to a regular Peer Review which functions as an external audit of departmental effectiveness. This is coordinated by

London ADASS and the LGA and carried out by peers from other London Authorities.

4.3.3. Adult social care reablement and residential services are subject to statutory Care Quality Commission regulation and inspection.

4.3.4. Children's Services are subject to the statutory inspection regime from Ofsted, which found the service to be outstanding in March 2020.

4.4. Internal Audit

4.4.1. The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provides an annual audit opinion and report that can be used by the organisation to inform its governance statement.

4.4.2. The Internal Audit plan is developed using a risk-based approach. Internal Audit provide assurance on the actions to mitigate key potential risks through delivery of the audit plan.

4.4.3. The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner. The full summary of the work that Internal Audit has undertaken during the 2019-20 financial year, will be provided in the 2019-20 Internal Audit Annual Report to the Audit Committee.

4.4.4. Audit recommendations made in 2019-20 will be scheduled for follow up in 2020-21 to ensure that management action has been implemented within agreed timescales. This will provide senior management and the Audit Committee with a direction of travel in the internal control environment across the Council and will identify areas where further improvement is required.

4.5. Head of Internal Audit's Annual Opinion

4.5.1. The Head of Internal Audit's annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2017-18 and 2018-19 was Moderate Assurance.

4.5.2. The work undertaken during 2019-20 has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2020, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-ups in 2020/21. Further detail on audit outputs is provided in the Internal Audit Annual Report.

4.5.3. The Head of Internal Audit also concluded that the Internal Audit service continues to be effective, complies with PSIAS, and provides the necessary skills and expertise to deliver a cost effective, value added, service to the Council, its partners and stakeholders. LB Croydon undertook an independent peer review of Islington Internal Audit service in May 2016 to comprehensively review the effectiveness of the Shared Internal Audit Service with LB Camden. It concluded that the audit shared service 'fully conforms' with PSIAS which was the highest rating available. In 2017-18 to 2019-20, a PSIAS self-assessment was conducted to ensure continued compliance with standards. In 2019-20, the Internal Audit service also benefited from ongoing networking and benchmarking across the Cross Council Assurance Service (a consortium of London boroughs drawing on the same framework agreement for co-sourced assurance services).

5. Other areas of Governance and Assurance:

5.1. Resources

5.1.1 The Council has a sound process for setting its budget that ensures that estimates are robust and in particular, savings proposals are fully scrutinised to ensure political, managerial and financial deliverability. A detailed and lengthy budget setting process was undertaken through 2019/20 to develop the 2020/21 budget.

5.1.2 The Council's in-year budget monitoring process routinely monitors service financial performance and key risks against the budget and looks to put management action in place to deliver the Council's financial outturn within the overall budget. During 2019/20 there has been a consistent underspend across each department. However, the Covid-19 pandemic has resulted in a significant loss of income in the Environment and Regeneration Department., resulting in a final net overspend at outturn.

5.1.3 Since 2010, the Council's budget has been subject to major funding cuts which has resulted in the Council having to make circa £250m in savings. Despite this, the Council has set a balanced budget for 2020/21, including implementing the maximum permissible increase in Council Tax of 2.99% and the adult social care precept of 3%. The detailed budget includes savings of £10m in 2020/21. There is currently no certainty over local authority funding beyond 2020/21 although we now understand the Fair Funding review and the Spending Review have been delayed for a further year and so we now anticipate a stand still settlement for 2021/22.

5.1.4 Delivering robust financial management including financial control and providing high quality financial advice is a key contributor to the Council's strong financial standing. The unprecedented ask of financial management professionals should be considered in the context of a reduction in financial management resources of over 50% since 2010.

This inevitably adds more risk to financial management processes. Processes and the organisation of those resources are reviewed regularly to mitigate the risk as much as is possible and focus the reduced resource where they are needed most. Any further material reduction in resource, indeed the loss of key personnel would present a significant corporate risk.

5.1.5 The Council's Housing Revenue Account (HRA) has benefited over a number of years from a robust and funded 30-year business plan and this continues to be the case over the short/medium and long term. The Welfare Reform and Work Act 2016 imposed a requirement for Local Authorities to reduce rents year on year by 1% over a 4 year period commencing in 2016-17, which had a significant adverse financial impact on HRA. To mitigate against this a number of measures were implemented principally involving rescheduling current borrowing over the term of the 30-year business plan, 2019-20 was the final year of the 1% rent reduction and rents have now been uplifted although from a now reduced base. This has provided a little more certainty for the future.

5.2. People

5.2.1 In March 2019 the Children, Employment and Skills directorate and Adult Social Services (formerly part of the Housing and Adults Social Services directorate) were brought together to form one combined directorate, now known as the People Directorate.

5.2.2 The Corporate Director of People holds the statutory Director of Children's Services (DCS) role. The DCS is supported by a structure which allows the effective discharge of statutory duties with appropriate seniority and experience held at senior management level.

5.2.3 The revised structure and organisational arrangements provide a strong accountability, scrutiny, leadership and management grip on the Council's statutory duties for children in need of help and protection, children in care and care leavers, including early help and benefitting from high educational standards locally. Cultural opportunities for children and young people and employment and training pathways are strengthened as a result of employment, skills and culture services integration into the directorate. Strengthened arrangements between children's services and adults' services are being developed at pace to ensure there is ever greater consistency and continuity for young people as they become adults.

5.2.4 Accountability meetings are held with the leader of the Council and the Chief Executive, who hold the lead member for Children and Family Services and the chair of the Children's Safeguarding Board to account. These assurance checks are integral to the decision-making processes of the Council.

5.2.5 The quality of work for children in need of help and protection, children looked after and care leavers is scrutinised through Islington's Quality Assurance Framework. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Corporate Director, the Lead Member for Children and Families and the Service Director of Safeguarding to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.

5.2.6 As part of this quality assurance, external and highly qualified professionals in the field carry out service reviews to benchmark against inspection expectations. There are research links with universities that inform practice, and this has led to an Innovation Grant from the DfE on Motivational Social Work, Doing What Counts, and Measuring What Matters.

5.2.7 An annual self-assessment is carried out. Social worker caseloads, timeliness of interventions and outcomes for children are monitored at all levels and management oversight is good. The quality, value for money and sufficiency of placements for children is kept under review. An evaluation of Early Intervention has been undertaken, and early findings indicate good impact. Only evidence-based programmes are in use.

5.2.8 The Islington Safeguarding Children Board (ISCB) has an independent chair who meets periodically with the Corporate Director as part of the accountability framework. The ISCB annual report is discussed by the Health and Wellbeing Board (HWB), Children and Families Board (CFB) and the Children and Families' Scrutiny Committee. Both the HWB and CFB reflect on the learning and build ISCB recommendations into their respective strategies. There continues to be a strong focus on Child Sexual and Criminal Exploitation through the ISCB's sub group that leads the partnership on this work. The ISCB also oversees multi-agency audits of practice, training and compliance with safeguarding requirements set out in legislation. The Children and Families' Scrutiny Committee have looked at exclusions in schools and how to achieve best practice in this area to support the health and wellbeing of all children and young people, in addition to the annual report on learning and education standards, an annual safeguarding report and quarterly performance reports are also scrutinised by the Committee.

5.2.9 The Joint Strategic Needs Assessment includes sections on vulnerable children and those in need of help and protection and is used to determine priorities for both the safeguarding board and for services for children and families. Educational outcomes for Children Looked After and care leavers are scrutinised at the Corporate Parenting Board.

5.2.10 The Corporate Parenting Board is co-chaired by the Lead Member for Children and Families and the Chair of the Children's Active Involvement Service. It has strong representation from the Children's Active Involvement Service, and the voice of the child is well evidenced in individual casework. Budget and change management proposals are scrutinised for impact on the quality of work with children in need of help and protection, children looked after and care leavers and this is included in Equality Impact Assessments.

5.2.11 Children's Services were judged outstanding by Ofsted in March 2020. They assessed the impact of leaders on social work practice with children and families as outstanding, the experiences and progress of children who need help and protection as outstanding, and the experiences and progress of children in care and care leavers as good.

5.3. Adult Social Care

5.3.1. The Director of Adult Social Care is the statutory DASS, (Director of Adult Social Services) for Islington and reports to the Corporate Director for People. The DASS is responsible for providing professional leadership for all staff involved in delivering the Council's social services functions for adults and across local networks and partnerships involved in the provision of adult social care services. The DASS is also accountable for ensuring that relevant professional and occupational standards and standards of conduct are maintained across adult social care services provided by or commissioned by Islington.

5.3.2. The DASS is responsible for market shaping and continuity: commissioning effectively and ensuring the availability and quality of services that people want in order to be in control of their lives. The DASS holds responsibility for safeguarding adults who need care and support from abuse or neglect; when doctors are considering compulsory treatment or admission to psychiatric hospital and/or when people lack capacity to decide and may be restricted of their liberty.

5.3.3. The current structures and organisational arrangements provide a strong accountability, scrutiny, leadership and management grip on Islington's statutory duties for vulnerable adults including the duty to provide information, advice and guidance.

5.3.4. Assurance checks are integral to the decision making processes of the Council. Professional leadership is challenged by the Chief Executive and Leader of the Council who hold the Director of Adult Social Services, the Deputy Leader (who is also Lead Member for Health and Social Care) and the independent Chair of the Safeguarding Adults Partnership Board to account on a quarterly basis. Progress on themes arising from audit and performance data is reported at these meetings.

5.3.5. The Council has a Safeguarding Adults Partnership Board that meets the current requirements for its scope and inclusiveness, chaired by an independent expert in the field who meets with the DASS.

5.3.6. The Safeguarding Adults Board oversees Safeguarding Adults Reviews and the implementation of recommendations arising from these reviews across the partnership.

5.3.7. The quality of social care practice in Adult Social Care is scrutinised through the quality assurance framework. Themes arising from this are reviewed by senior leaders and used to inform training programmes. Islington is a member of the North London Social Work Teaching Partnership, a consortium working to raise standards of social work education and continuing professional development and staff access continuing opportunities.

5.3.8. Approved Mental Health Act Professionals, (AMHPs) are warranted and supervised in line with statutory requirements.

5.3.9. The Council has partnership agreements (known as section 75 agreements) with the Camden and Islington Mental Health Foundation Trust, Whittington Health and Islington NHS Clinical Commissioning Group, for the provision and commissioning of health and social care services. The purpose is to ensure cost effective, outcome focused, joined up services for vulnerable people. There are regular meetings between the Chairs and Chief Executives of these organisations and the Council Leader and Chief Executive, and an annual report to the respective Boards and the Council's Executive to ensure that the day-to-day arrangements for collaborative working are meeting the aims of the partnerships and the objectives of the Council.

5.3.10. These arrangements have been strengthened in the light of the Better Care Fund and greater inter-dependency of health and social care funding. The partnership agreements and governance have been reviewed and refreshed. The Council and the CCG have also reviewed their respective commissioning structures to ensure better integration and accountability. These arrangements have been formally agreed by the Health and Wellbeing Board in line with national guidance.

5.4. Housing

5.4.1. Housing is responsible for managing council residential tenanted and leasehold properties in the borough, either directly or through Partners for Improvement in Islington as part of the Council's two street properties PFI contracts. A Homes and Estates Safety Board, with an independent chair, oversees the particular fire and property-related risks to people in these dwellings. This is part of the overall corporate health and safety arrangements.

5.4.2. Housing Property Services have effective arrangements to monitor equipment and stock. Arrangements are in place to actively manage the risk of fraud through prevention and detection techniques.

5.4.3. The two long term PFI contracts to manage street council housing are managed by a clienting team with governance via senior management meetings with the PFI board and scrutiny via a range of annual audits carried out by the Council's Internal Auditors.

5.4.4. The PFI Integration Board has been set up to oversee the programme of work anticipating the Agreement for Islington HRA PFI (Partners for Improvement) Street Properties Project Two (PFI2) contract coming to an end in July 2022, and services transferring in April 2022. The board is recommending to the Council's Executive that services are integrated into the Council's own housing service. The decision will be considered by Executive in July 2020.

5.4.5. The relationship with the 23 Tenant Management Organisations in the borough is managed by the TMO compliance team, supported by internal audit who run an annual programme auditing TMO financial and governance controls.

5.4.6. Residents are involved in the prioritisation and governance of the Housing Service via reference groups and representation on Housing Scrutiny Committee.

5.5. Transformation

5.5.1. The Council is adopting a new programme management framework to ensure organisation change is well planned and delivers at pace. The approach is using a gateway process to develop business cases for change. Corporate Delivery Board, chaired by the chief executive, is being established. This will be supported by Directorate Delivery Board, ensuring that new initiatives are technically deliverable.

5.5.2. All major change projects have a CMB sponsor and an SRO at Service Director level. Highlight reports are produced and reviewed at Directorate Delivery Boards, with Corporate Delivery Board taking a corporate overview and reporting to Members.

5.5.3. The Strategy and Change team will provide project support to these change initiatives together with project managers embedded in departments to ensure that appropriate progress is made and linkages and dependencies between projects are picked up. This draws on a wider support network, including financial, ICT, HR, Legal and risk management advice to ensure that barriers to success are identified and addressed.

5.5.4. The project planning process has a strong emphasis on return on investment and service managers are asked to sign off on the level of savings potentially achievable before committing them into spending plans. These are then monitored following project completion to ensure they are delivered.

6. Significant governance issues and areas for improvement

6.1. A key element of the annual governance review process is to identify any significant internal control issues. The Council has adopted the approach recommended by CIPFA, which has identified what may be considered generally as a significant issue. These include:

- The issue has seriously prejudiced or prevented achievement of a principal objective;
- The issue has resulted in a need to seek additional funding to allow it to be resolved;
- The issue has resulted in significant diversion of resources from another aspect of the business;
- The issue has led to a material impact on the accounts;
- The Audit Committee, or equivalent, has advised that it should be considered significant for this purpose, or
- The Head of Internal Audit has reported on it as significant in the annual opinion on the internal control environment.

6.2. There were no significant governance issues that met these criteria during 2019-20. However, the following general issues have been highlighted and, in line with good governance arrangements, will be monitored during the year ahead. These include:

Covid 19

- Covid-19 is a new strain of the coronavirus that was first identified in Wuhan City, China in December 2019. The virus has spread rapidly prompting the World Health Organization's declaration that this is a public health emergency of international concern. The UK Chief Medical Officers have raised the risk to the UK to high. The government published its coronavirus action plan on 3rd March 2020, detailing a four-stage response to the outbreak (Contain, Delay, Research and Mitigate). On 12th March, the UK moved from the Contain to the Delay phase. On 16th March, the Prime Minister announced a series of further, far-ranging measures to achieve social distancing for everyone in the UK, whilst protecting older people and vulnerable adults. The measures are in response to disease modelling that shows further action is imperative to slow the current increase in cases and reduce the estimated death rate. On the 17th of March, a £350 billion financial support package was announced by government. The Council continues to monitor and follow national guidance (from central government, the Department for Education, Department of Health and Social Care and Public Health England) with regards to the Covid-19 outbreak, signposting staff to information, guidance and advice pages. We are also launching a communication campaign for Schools, Care Homes and other key services to ensure they are reviewing preparations and following the government guidance. Covid-19 has unsurprisingly had a significant impact on business as usual in service delivery. However, the Council quickly initiated a model that continued to meet the needs of our most vulnerable residents adequately at a time of uncertainty and unrest. Business continuity plans for critical services were developed with clear trigger points, ensuring there was a clear approach towards the risk management and mitigation of these services, be it increasing operational hours, deploying staff from non-critical services or cross-training where possible. An initial equalities impact assessment does demonstrate the disproportion impact on certain groups with protected characteristics. Further analysis and engagement is being quickly undertaken to enable immediate response, some of which has already come into action (e.g.: bereavement offer).

In maintaining resilience in responding to our most vulnerable residents, the 'We are Islington' programme developed a holistic approach in ensuring the most vulnerable groups are adequately supported through measures such as a new Covid-19 response centre and food distribution hub. Revisions were made to adequately manage new response needs to safeguarding, hospital discharges and the care in domiciliary and homes, with the provision of PPE supplies where required. The enforcement of social distancing measures and revised models to manage excess deaths framework have been in place since early April.

The council has undertaken forecast planning of estimated financial pressures from when the Covid-19 impact commenced in March 2020 until September 2020. We have also undertaken financial monitoring through the period and highlighted the financial effects of the pandemic as part of the total variances. An MTFS refresh is underway which will result in a formal revision of savings position and revised timelines and aims in plugging this gap.

The Council has commenced a framework in planning for a 'new normal, which focuses on a process of rebuilding, restoring and rehabilitating services through an extended process. Impacts are being considered on strategic priorities, projects and programmes with an understanding of the extent to which we begin to restore, reinvent and retain services. The MTFS refresh will bring us to a position of understanding the fiscal challenges resulting from Covid-19 with clear plans to address this.

During the Covid-19 crisis, the Council is utilising the powers in the 'Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020' to hold remote committee meetings. To date the Council has held a number of meetings of the Planning and Licensing Committees and the Executive. Audit Committee is meeting on 18 May and we are currently bringing further meetings back on line.

Other areas

- Uncertainties and emerging implications surrounding Brexit will be considered, however this monitoring will be driven by the timeline attached to Brexit and may therefore change.
- The delivery of the savings and Capital programmes will rely on these programmes being well managed and monitored. A project is underway to review the governance mechanisms in place, to ensure they appropriately support the delivery of these programmes.
- The Council continues to support the delivery of the Information Governance Strategy that sets out its commitment to ensuring the Council's continued compliance to legislation and this will continue to be tracked in the coming year.

- In recognition of the change in local NHS commissioning arrangements to move to one Clinical Commissioning Group governed at a 5 borough level (from 1 April 2020), and the impact of commissioning budgets and operations; we have included Health and Social Care Integration risk as a new Principal risk.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed by:

Councillor Richards Watts — Date

Leader

Signed by:

Linzi Roberts-Egan — Date

Chief Executive

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Statement of Accounts 2019/20 Highlights

Presentation to Audit Committee

29th Sept 2020

Purpose & Agenda

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The purpose of this session is to:

- Brief/remind the Committee on:
  - The role of the Audit Committee in relation to the Statement of Accounts (SoA)
  - Background on Local Government Statement of Accounts & major changes
  - Impact of Covid-19 on the SoA

- Present highlights from Islington’s Statement of Accounts

Role of the Audit Committee

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Narrative Report – Ensure it is consistent with financial statements, overall summary of financial performance, risks and challenges facing the Council

Accounting policies – Review the council's accounting policies and, if applicable seek explanations for changes to these or departures from the Code

Financial Statements – Evaluate key messages from the financial statements and what it means for the future

Areas of Judgements – Review areas that involve judgments such as provisions and reserves

External Audit – Seek assurances that arrangements are in place to facilitate the external audit.

Approve Accounts following completion of the audit

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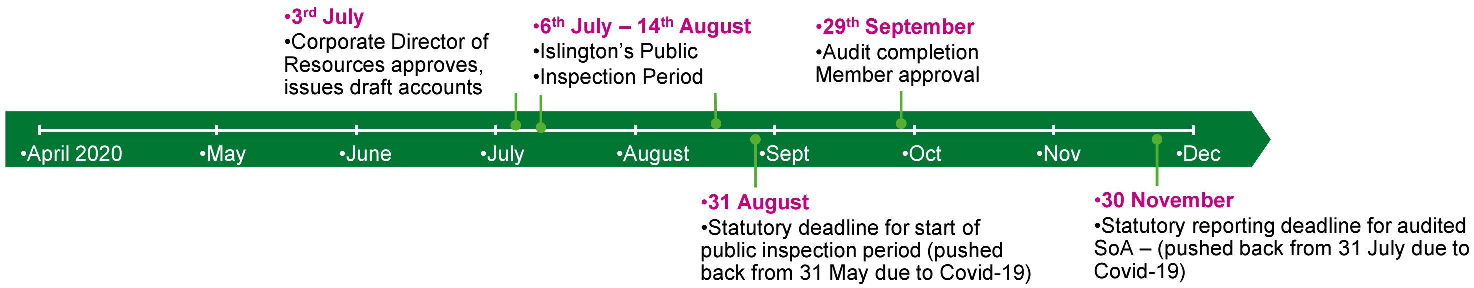
Background and explanation of the major changes this year

Background

- Legislative framework:
  - The 'Code' (Code of Practice on Local Authority Accounting 2019)
    - Defines proper practice. Based on IFRS
    - Mandatory Application
    - Materiality
    - Prescribes layout and terminology
- Major Changes:
    - No major changes
    - IFRS16 Leases – applicable in 21/22 although significant work to do in 20/21

Regulations – Accounts Timeline



Accounts and Audit (Coronavirus) (Amendment) Regulations 2020

- Given the unique circumstances surrounding the production of the accounts for 2019/20 the statutory reporting deadlines for the public inspection period and audited Statement of Accounts have been pushed back by 3-4 months
- Islington's public inspection period commenced 10 weeks in advance of the statutory deadline, and the publication of audited accounts is also on track to be significantly in advance of the reporting deadline of 31 November

Impact of Covid-19 on SoA

External Audit Plan

- Property, Plant and Equipment material valuation uncertainty
- Allowance for non collection of receivables
- Going concern
- Pension asset valuations

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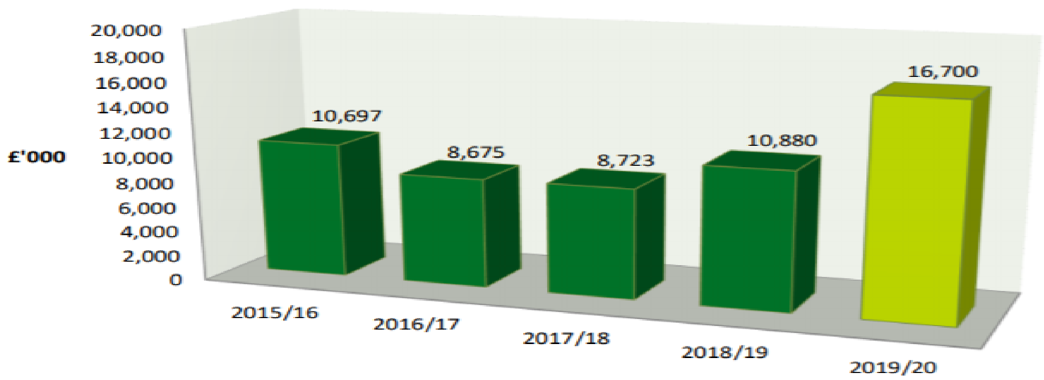
2019/20

Accounts Highlights

Income & Exp. Acct. & GF Balances

	£m
Spend on services	1,020.5
Service income	(776.1)
Financing & Transfers	9.9
Grant and council tax	(259.5)
GF underspend	(5.8)



- General Fund balance is now £16.7m

Changes to the provisional General Fund Outturn

	£m
Provisional outturn	(8.405)
Transfer to budget strategy reserve	2.597
Transfer to schools balances	0.632
Other minor movements	0.026
Net movement in GF balances incl. schools	(5.150)

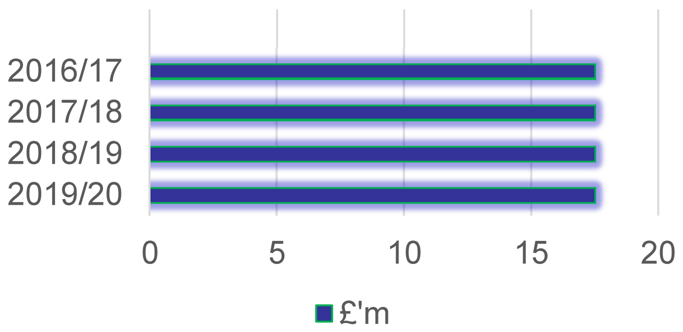
Housing Revenue

Income and Expenditure Account

- Housing Stock valued at £3.048bn
- £76.9m Capital Spend
- Balanced position at end of year

	£'m
Income	(221.3)
Expenditure	196.3
Financing and transfers	25.0
Surplus	0.0

HRA Balances: £'m



Housing Stock Numbers

Flats	22,776
Houses	2,464

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Balance Sheet

- Long Term assets of £4.06bn
- Capital spend of £118.5m*
- Short term investments of £90.5m
- Long term borrowing of £276.6m

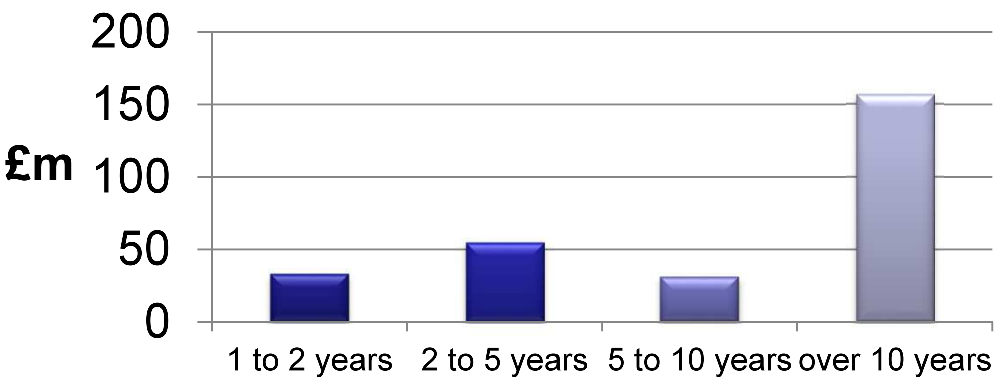
Capital Spend & Financing

	£m
Capital spend	**118.5**
Financed:	
Grants	25.2
HRA	46.3
Borrowing	16.7
Receipts	30.1
Revenue	0.2
	118.5

Property,Plant, Equipt changes in year

	£m
Revaluations	6
Additions*	108
Depreciation	(58)
Disposals and transfers	(10)
Increase in fixed asset value	46

Long-Term Borrowing - Maturity Profile

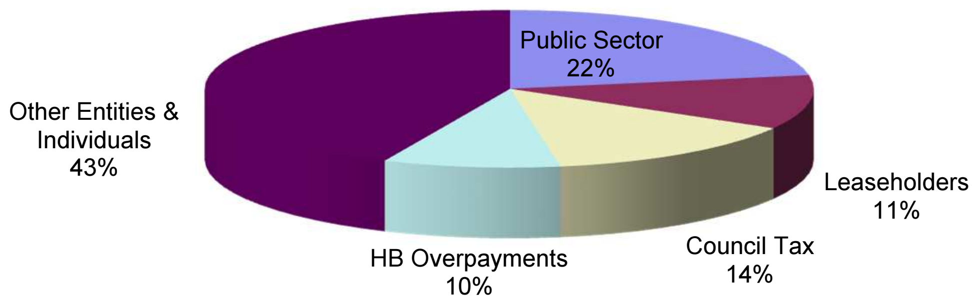


*The difference between the capital expenditure figure and the additions figure is due to capital spend taken to the CIES as REFCUS.

Debtors

	2019/20 £m	2018/19 £m
Public Sector	38	27
Leaseholder	19	18
Council Tax	24	24
HB Overpayments	16	15
Others	74	63
Total debtors	**171**	**147**

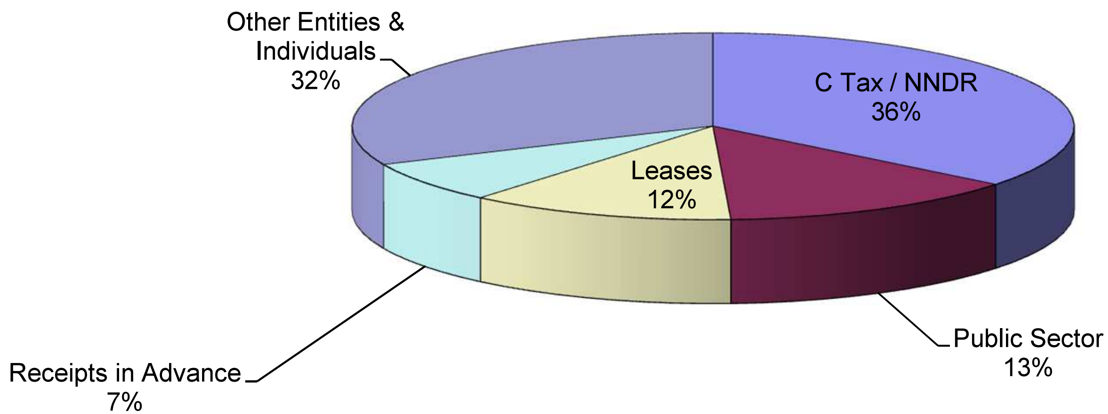
- Debtors increased by £19m
  - Public Sector: HB Subsidy Claim £7m
  - Nursing care invoices £1.2m
  - Increase in PCNs issued £4.7m
  - Housing rents £2.5m
  - Covid-19 grant for businesses £2.8m



Creditors

	2019/20 £m	2018/19 £m
C Tax / NNDR	45	39
Public Sector	17	26
Leases	15	12
Receipts in Advance	9	8
Other Creditors	40	34
	126	120

- Creditors increased by £6m.
- C Tax/ NNDR: Greater Govt share of £13.9m NDR income in 19/20 compared to18/19
- Offset by
- Public Sector: 18/19 Shared service IT costs £7m.



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GF Earmarked Reserves & Provisions

Earmarked Reserves	£m
- PFI	4.9
- Budget Risk & Insurance	17.4
- NNDR Smoothing	7.7
- Housing Benefits	7.9
- Covid - 19	7.7
- Budget Strategy	21.1
- Others	13.6
	80.3

- **NNDR Smoothing** – to insulate against volatility in NNDR income
- **Budget Risk & Insurance** – to mitigate impact of delayed savings

  Housing Benefits – for mitigating the risk of claims and reductions
- **Service Specific** – future commitments across Services
- **Budget Strategy** – to provide one off funding linked to the delivery of the medium term financial strategy
- **Covid – 19** – to fund Covid-19 related budget shortfall in 20/21

- **Insurance Provision** – as the Council self-funds most of its insurable risk, provision is set aside for outstanding claims.

Provisions	£m
Insurance	14.2
Business Rates Appeals	15.9
Other minor	3.3
	33.4

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Cash Flow Statement

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

- **Operating Activities –** cash flows relating to the council's day-to-day activities.
- **Investing Activities -** relate to capital expenditure and asset disposals.
    - Increase due to purchase of short term investments following receipt of Covid-19 grants and extra borrowing of around £40m at year end to hedge against Covid-19 related expenditure.
- **Financing Activities –** cash flows relating to interest, investments and borrowing.
    - Cash inflow from financing activities in 2019/20 due extra borrowing as above and timing of cash receipts and repayments of borrowing.

- The Council ended the financial year with a cash balance of £27.7m, an increase of £31.5m on 2018/19.

Collection Fund

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	£m
Income	
- Council tax	(121.4)
- Business rates	(315.1)
Total Income	**(436.5)**
Expenditure	
- Precepts (C tax)	118.5
- LBI share of NDR	135.5
- National/local NNDR Pool	155.3
- LBI cost of collection	0.8
- Provisions & write offs	19.0
- Distribution of Surplus	6.8
Total Expenditure	**435.9**
Surplus for year	**(0.6)**
Surplus from previous year	(14.4)
Surplus carried forward	**(15.0)**

- 101,936 residential properties
- Islington band D council tax of £1489.67 including GLA
- Non-domestic rateable value was £717m
- National rate multiplier 49.1p

Pension Fund

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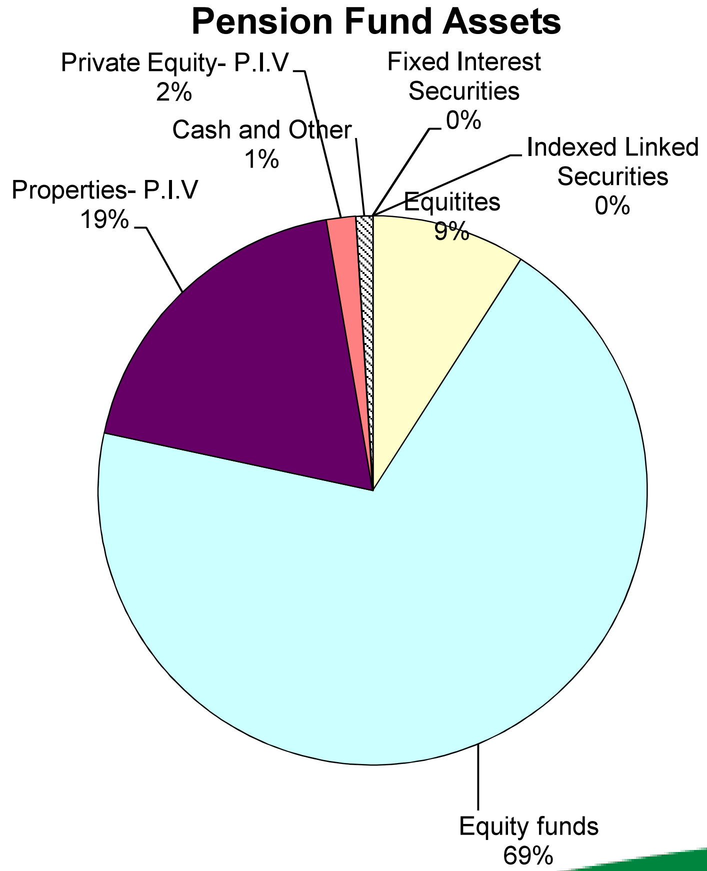
Last revalued at 31.03.16

2019/20	£'m
Contributions in	58.8
Pension & other expenditure	(70.1)
Net withdrawal from Fund	(11.3)
Return on investments	(6.6)
Total Fund Value	**1,358.8**
Fund Value 2018/19	*1,376.7*



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Finance and Resources
Newington Barrow Way, London N7 7EP

Report of: Corporate Director - Resources

Meeting of	Date	Ward(s)
Audit Committee	29th September 2020	All

Delete as appropriate		Non-exempt

SUBJECT: Annual Governance Statement 2019-20

1 Introduction

1.1 In accordance with the Regulation 6 of the Accounts and Audit Regulations 2015, the Council is required to undertake a review of its governance framework and publish an Annual Governance Statement (AGS) as part of the Statement of Accounts. The purpose of the AGS process is to provide a continuous review of the Council's governance framework to provide assurance on its effectiveness and, where applicable, produce an action plan to address weaknesses identified. The process of preparing the AGS adds value to the corporate governance and internal control framework.

1.2 The AGS for 2019-20, which described the governance framework that had been in place at the Council during the year ending 31 March 2020, was approved by the Committee on 28th July 2020 and can be seen here.

1.3 Following the advice of the Council's External Auditors, in approving the AGS on 28th July 2020, the Committee was asked to provide authority to the Corporate Director Resources, in consultation with the Chair of Audit Committee, to approve minor amendments to the AGS to reflect any post balance sheet events predominantly related to Covid-19, prior to the signing of the final statement of accounts. It was also agreed that Officers would report back any amendments made to the next Audit Committee for their information.

1.4 This report summarises the minor amendments that have been made to the AGS since its approval by the Committee on 28th July 2020.

2. Recommendation

To note the minor amendments made to the 2019-20 Annual Governance Statement since its approval by the Committee on 28 July 2020.

3 Amendments to the AGS

3.1 Three amendments have been made to the AGS since its approval by the Committee on 28th July 2020. These have been summarised below, and amended text has been shaded in grey.

3.2 In response to comments from Members, a full history of resident surveys was removed from paragraph 3.4.1:

> The Council regularly engages and consults with residents and the wider community on a diverse range of issues. Various communication channels are used, including council websites, email, social media channels, public meetings and the quarterly magazine delivered to residents. Surveys of residents are undertaken (most recently in 2018) to test perceptions of the Council, its services, and the priorities for residents. The findings are used to shape policy and communications.

3.3 In response to comments from Members, a history of commissions set up to investigate inequalities in the borough was removed from paragraph 3.5.1, which was merged with paragraph 3.5.2 to read:

> The central aim of the Council's Administration is to make Islington a fairer place. The Council's priorities to achieve its vision of a fairer Islington are set out in 'Building a Fairer Islington' our Corporate Plan for 2018-22.

3.4 In response to comments from Members, an addition has also been made to paragraph 3.6.3 to reflect that while the majority of the Council's significant decisions are devolved to the Executive, there are instances (primarily budget setting) where full Council agreement is required:

> The Executive is made up of the Leader of the Council and seven Executive members. The Executive is responsible for the majority of the Council's most significant decisions, which are made in line with Council policy and budget. Its functions and terms of reference are set out in Parts 3 and 5 of the Constitution. Executive agendas, minutes and summaries of decisions are available on the Council website.

3.5 An update has been made to paragraph 6.2 to reflect Covid-19 related financial impacts:

> The council has undertaken forecast planning of estimated financial pressures from when the Covid-19 impact commenced in March 2020 until September 2020. We have also undertaken financial monitoring through the period and highlighted the financial effects of the pandemic

as part of the total variances. An MTFS refresh is underway which will result in a formal revision of savings position and revised timelines and aims in plugging this gap.

4. Implications

4.1 Financial implications

A sound system of internal controls forms a significant part of the governance framework and is essential to underpin the effective use of resources.

4.2 Legal Implications .

Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct an annual review of its system of internal control and, following the review, the Council must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control, before approving the statement of accounts.

4.3 Environmental implications

There are no environmental implications arising from the recommendations in this report.

4.4 Resident 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.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendation

The Annual Governance Statement, approved by the Committee on 28th July 2020, reports on the Council’s governance arrangements and control environment, and forms part of the Statement of Accounts.

The Audit Committee is asked to note the amendments to the 2019-20 Annual Governance Statement.

Final report clearance:

Signed by: **Date: 14 September 2020**
Dave Hodgkinson – Corporate Director – Resources

Report Author: Nasreen Khan, Head of Internal Audit, Investigations and Risk Management
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REPORT ENDS

ISLINGTON

Internal Audit
Finance and Resources
7 Newington Barrow Way,
London N7 9EP

Report of: **Corporate Director - Resources**

Audit Committee	**Date: 29th September 2020**	**Ward(s): All**

Delete as appropriate	Exempt (Appendix)	

Part of the report is not for publication because it contains exempt information under Schedule 12A of the Local Government Act 1972) Paragraphs 1, 2, 7 Schedule 12A of the Local Government Act 1972, namely: Information relating to an individual. Information which is likely to reveal the identity of an individual and Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Whistleblowing Report – 1st April 2019 to 31st August 2020

1. Synopsis

1.1 The report seeks to provide assurance that whistleblowing arrangements are in place and operating effectively, and that investigating fraud is an integral part of the Council's Anti-Fraud Strategy. The Council's Whistleblowing Officer is the Head of Internal Audit, Investigations and Risk Management. Whistleblowing arrangements are a key element of the Council's overall governance arrangements. It is the mechanism to "empower the honest majority" in the fight against fraud and corruption and is an integral part of the Council's Anti-Fraud Strategy.

Whistleblowing allows employees, members, contractors and others, to raise concerns surrounding potential fraud and corruption. There are separate reporting mechanisms for adult and child protection allegations. Whistleblowing information is located within the Human Resources policies and procedures section of the Council's intranet. A review of the Council's whistleblowing policy was undertaken in 2019-20 and approved by Audit Committee in May 2020.

1.2 The report gives detail of referrals made between 1st April 2019 and 31st August 2020; and also provides an update on referrals that have been carried forward from previous years.

2. Recommendations

2.1 Committee is asked to note the contents of the report.

3. Background

3.1 Effective whistleblowing arrangements are a key element of effective governance arrangements within the Council.

4. Implications

Financial implications:

4.1 There are no specific financial implications associated with this report.

Legal Implications:

4.2 The original Public Interest Disclosure Act 1998 provisions, inserted in the Employment Rights Act 1996, were amended by the Enterprise and Regulatory Reform Act 2013 to introduce a new public interest requirement. The Council must have regard to the Government's Whistleblowing Guidance for Employers and Code of Practice (2015).

Environmental Implications

4.3 There are no environmental implications arising from the recommendations in this report.

Resident Impact Assessment:

4.4

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.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reasons for the recommendations / decision:

5.1 The report presents an update on whistleblowing referrals received from 1st April 2019 to 31st August 2020.

5.2 The Council is obliged under the Public Interest Disclosure Act to maintain a whistleblowing policy, designed to encourage staff, members, contractors and others to raise concerns without fear of reprisal.

Appendices:

Appendix A – Whistleblowing Monitoring Report (Exempt)

Final report clearance:

Signed by: **Date: 14 September 2020**

Dave Hodgkinson – Corporate Director – Resources

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REPORT ENDS

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ISLINGTON

Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director - Resources

Meeting of	**Date**	**Ward(s)**
Audit Committee	29th September 2020	All

Delete as appropriate		

Part of the report is not for publication because it contains exempt information under Schedule 12A of the Local Government Act 1972) Paragraphs 1, 2, 7 Schedule 12A of the Local Government Act 1972, namely: Information relating to an individual. Information which is likely to reveal the identity of an individual and Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

THE APPENDIX TO THIS REPORT IS NOT FOR PUBLICATION

SUBJECT: Annual Fraud Report - 2019/20

1. Synopsis

1.1. This report is intended to support Committee in obtaining assurance that the Council has a sound framework of governance, risk management and internal control. It does this by providing an update surrounding the Council's counter fraud activity.

1.1. An update on Corporate Investigations and Housing Investigations has been provided. The report covers the period 1st April 2019 to 31st March 2020. In the interest of timely reporting to Committee, information relating to Corporate Investigations has been extended to cover the period to 31st August 2020.

2. Recommendation

2.1 Committee is asked to note the contents of the report.

3. Background

3.1 The Local Government Transparency Code 2015 (published by the Department for Communities and Local Government - now the Ministry for Housing, Communities and Local Government) requires local authorities to publish details of their counter fraud activity.

3.2 The report summarises the work that has been taken by Internal Audit (Investigations) and Housing Investigations.

4. Implications

4.1 Financial implications

The programme of work has been met from within the existing Internal Audit budget. The financial implications of individual mitigating actions are met by local budgets.

4.2 Legal Implications .

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual investigations.

4.3 Environmental implications

There are no environmental implications arising from the recommendations in this report.

4.4 Resident 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.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

5.1 To note the detail of the counter-fraud activity carried out by Internal Audit (Investigations) and Housing Investigations.

Appendices

Appendix 1 – Annual Fraud Report – 2019/20 (Exempt – not for publication)

Final report clearance:

Signed by: **Date: 14 September 2020**

David Hodgkinson – Corporate Director of Resources

Report Authors:

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ISLINGTON

Finance and Resources
Newington Barrow Way, London N7 7EP

Report of: Corporate Director - Resources

Meeting of	Date	Ward(s)
Audit Committee	29th September 2020	All

Delete as appropriate		Non-exempt

SUBJECT: Internal Audit Annual Report – 2019/20

1. Synopsis

1.1 The provision of a continuous internal audit service provides independent and objective assurance on the control environment that supports the delivery of the Council's objectives.

1.2 This report is intended to support the Audit Committee in obtaining assurance surrounding the Council's governance, risk management and internal control environment. It does this by demonstrating that the Internal Audit plan is being delivered, highlighting service areas where high priority recommendations have been made and commenting on the level of implementation of audit recommendations by management.

2. Recommendation

2.1 To note the report.

3. Background

3.1 The 2019-20 Internal Audit Plan was approved by the Audit Committee in March 2019. This report presents a summary of the work that Internal Audit has undertaken as part of the 2019-20 audit plan.

3.2 The work of Internal Audit, in accordance with the annual audit plan, is directed towards key risk areas as identified with the Council's Principal Risk Report. Internal Audit provide assurance on the actions being taken to mitigate principal risks through delivery of the audit plan.

3.3 The audit plan is delivered by the in-house team across the Shared Internal Audit Service (with LB Camden) and a co-sourced partner (currently PwC).

Annual opinion

3.4 The Public Sector Internal Audit Standards (PSIAS) require that the Head of Internal Audit provide an annual audit opinion and report that can be used by the organisation to inform its annual governance statement. The annual opinion categories range from No Assurance, Limited Assurance, and Moderate Assurance to Substantial Assurance. The annual opinion given for 2017-18 and 2018-19 was Moderate Assurance.

3.5 While it should be noted that assurance could never be absolute, the work undertaken during 2019-20, including follow up activity, has enabled the Head of Internal Audit to form a reasonable conclusion on the Council's control framework, risk and governance arrangements. For the year ended 31st March 2020, the Head of Internal Audit's opinion is that the adequacy and effectiveness of the Council's arrangements is Moderate Assurance – overall the Council's systems for control, risk and governance are generally adequate with some improvement required. Revision to assurance ratings and residual risks will be closely monitored through follow-up reviews to be undertaken in 2020-21. The Council's risk management framework has also been further embedded in 2019-20; with the Council enhancing its risk maturity and building a more risk aware culture by embedding risk management into business as usual practices. Outcomes from risk management activity has informed the overall assurance framework. Further detail on the outcomes of delivery of the Internal Audit plan is provided in the appendices to this report.

Outcomes and follow up activity

3.6 The report details the outcomes of delivery of the 2019-20 audit plan at Appendices 1-2, and outcomes of follow up audits in Appendix 3. The report also identifies and gives more detail on those areas where the overall assurance statements were less than 'moderate' at Appendix 2.

3.7 Internal audit projects result in a statement of assurance of either 'substantial', 'moderate', 'limited' or 'no' assurance. These conclusions are based on the number of critical and high priority risks identified in the report. These statements are indicators of the assurance we can give at the time of the audit and may reflect control design or compliance issues. In 2019-20, we are pleased to report a positive response to all final audit reports, with audit recommendations being accepted by management, and evidence of implementation on follow up.

3.8 Outcomes of follow up activity in 2019-20 is detailed at Appendix 3. Follow up audits on recommendations arising from our work in 2019-20 will be conducted in 2020-21.

Internal Audit response – Covid 19

3.9 Due to the Covid-19 emergency and the immediate response that followed, Internal Audit was required to temporarily pause completion of 6 audit reviews (2 core reviews as auditees were engaged in the Council's Covid-19 response, and 4 school reviews); further details are included at section 1.9 in Appendix 1). Internal Audit utilised this time to provide risk and control advice surrounding the Council's Covid-19 response, including in areas such as purchase ordering and the payment of suppliers. The Internal Audit team also supported the Council's Audit Manager (Investigations) to formulate advice related to Covid-19 related anti-fraud measures. While the completion of the reviews listed above were temporarily paused, Key Financial System reviews, as included on the 2019-20 Internal Audit plan approved by the Audit Committee in March 2019, continued. This ensured that Internal Audit provided assurance to the Council and External Audit on the effectiveness of the Council's key financial systems. As detailed in Appendix 1, reviews that were paused as auditees were engaged in the Council's Covid-19 response have now either resumed or will be conducted as part of the 2020-21 plan, and outcomes will be reported to Audit Committee in 2020-21.

3.10 In terms of maximising productivity of the Internal Audit team during lockdown, key monitoring controls that existed pre-lockdown continued to be applied during lockdown i.e. outcomes monitoring and a weekly progress tracker detailing how auditor time had been spent on a weekly basis, The Internal Audit team also utilised Microsoft Teams to conduct video meetings with auditees and within the Internal Audit team. A functionality on Microsoft Teams which indicates individual officer availability during working hours has also been utilised i.e. green/red/yellow indicator demonstrating whether the audit team (including management) were on desk time, in meetings etc, throughout the working day. In addition to 1:1 catch up meetings, the Internal Audit team have stayed connected via weekly team meetings to review the progress of delivery of the audit plan including follow up activity. In terms of access to auditees during lockdown, Internal Audit have successfully obtained electronic access to documents/audit evidence and held video meetings.

3.11 In terms of resourcing of the team, two new members have joined the Internal Audit team (a dedicated Audit Manager and Principal Auditor). One further vacancy remains which we intend to fill in the coming months.

4. Implications

4.1. Financial implications

The programme of work has been met from within the existing Internal Audit budget. The financial implications of individual audit recommendations are met by local budgets.

4.2. Legal Implications

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

4.3. Environmental implications

There are no environmental implications arising from the recommendation in this report.

4.4. Resident 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. A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendations

5.1 To note outcomes of delivery of the audit plan at **Appendices 1-3.**

Appendices:

Appendix 1 – 2019-20 Internal Audit Plan update
Appendix 2 – High priority recommendations
Appendix 3 – Follow Up Outcomes

Final report clearance:

Signed by: **Date: 14 September 2020**

Dave Hodgkinson – Corporate Director – Resources

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REPORT ENDS

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APPENDIX 1 – 2019-20 INTERNAL AUDIT ANNUAL REPORT

Internal Audit Annual Report
Audit Committee 29th September 2020

Introduction: This Appendix gives summary details of the 2019-20 audit plan that was agreed by Audit Committee in March 2019. It shows the indicative scope as well as the completion status of each individual project. It is included to provide Audit Committee with assurance that the audit plan – which is the key vehicle for providing the Council with independent assurance – is being effectively delivered.

* Denotes a principal risk

1.1 AUDITS BROUGHT FORWARD FROM 2018-19

Number	Audit title	Indicative scope	Days	Status – September 2020
CC18-6	IT Technology Debt	The primary purpose of this review was to assess the arrangements and processes in place to ensure that the technology environment is fit for purpose, efficiently and effectively meets the needs of the Council.	15	Completed – management letter issued. One high priority finding was raised, details of which were reported to Committee in January 2020.
FR18-4	Procurement	Risk-based review of the end-to-end procurement process. Scope included follow-up of recommendations raised in 18-19 Contract Management review.	15	Procurement – completed, moderate assurance. No high priority findings were raised. Contract Management – follow-up completed. The original report, dated August 2018, raised eight recommendations (four high priority and four medium priority) which were fully accepted by management. Based on the

Number	Audit title	Indicative scope	Days	Status – September 2020
				discussions held with management and evidence reviewed during the original follow-up audit earlier in 19-20, we noted that: - 1 recommendation (medium priority) had been implemented; and - 7 recommendations (4 high priority and 3 medium priority) had been partially implemented. A further follow up review was completed in August 2020; and a reasonable level of implementation was noted. A further audit of wider contract management has been included on the 20/21 plan and scoping is currently in progress.
HASS 18-9	Housing Revenue Account	Risk based review of key controls in place for the management and monitoring of the HRA.	15	Fieldwork has concluded and the review is currently at draft report stage and awaiting an exit meeting to obtain management responses to audit recommendations. Outcomes will be reported to the next Audit Committee meeting.

1.2 CORPORATE / CROSS-CUTTING

Number	Audit title	Indicative scope	Days	Status – September 2020
CC19-1	Landlord Duty of Care *	Carried forward from 2018-19. Review of the Council's arrangements for ensuring compliance with Health & Safety requirements across its property portfolio. The review will primarily focus on the controls and processes for the undertaking and tracking/monitoring of actions included Fire Risk Assessments.	20	A review focussing on fire risk assessments was finalised in October 2019 – management letter issued. Two high priority findings were raised, details of which were reported to Committee in September 2019. A follow up review was carried out in May 2020. One high priority action was on track for implementation with a due date of August 2020, with the remaining actions (one high priority, one medium priority and one low priority) partially implemented. A further follow up will be carried out as part of the Landlord Duty of Care audit within the 2020/21 audit plan.
CC19-2	Programme Management Office (PMO) *	Ongoing assurance to the Council's newly created PMO and follow up of recommendations made in the 18/19 Programmes and Transformation review commissioned by the Council's Audit Committee. The review will focus on overall governance and project delivery.	20	In 2018-19, a Programmes and Transformation review was undertaken and focussed on providing control design advice for the newly formed Programme Management Office (PMO). A total of four recommendations were agreed by management and outcomes were reported to Audit Committee in 2019. A follow-up, to assess implementation of these recommendations, was underway

Number	Audit title	Indicative scope	Days	Status – September 2020
				in Q4 19-20 as part of the 19-20 PMO audit, however fieldwork was deferred due to Covid-19. The audit resumed in summer 2020 with an extended scope as part of the 20-21 audit plan. Fieldwork has concluded and the review is currently at draft report stage and awaiting an exit meeting to obtain management responses to audit recommendations. The scope of the review included a review of 1) the PMO redesign and 2) Programme Management activities across a sample of programmes. Fieldwork has concluded and summary outcomes are - in relation to item 1) areas of good practice has been noted, however recommendations have been made to further enhance design. In relation to item 2), due to the varying maturity of programmes sampled, variations in the maturity and establishment of the respective programme management control frameworks were noted. The review is currently at draft report stage and awaiting an exit meeting to obtain management responses to audit recommendations.

Number	Audit title	Indicative scope	Days	Status – September 2020
CC19-3	Savings Programme *	Risk based review of key programme objectives.	20	On-going support and advice was provided where required, including risk training and support to embed risk management within projects.
CC19-4	Cyber Security *	Cross-cutting review of the Council's Cyber Security arrangements. Scope to be refined in year and to focus on high risk areas as identified within the Principal Risk Report.	20	Completed – limited assurance. Two high priority findings were raised, details of which can be seen at Appendix 2.
CC19-5	Brexit*	Extended follow up of recommendations made in 18-19 and ongoing IA support	20	On-going risk support and advice was provided via the Brexit Resilience Group.

1.3 RESOURCES

Number	Audit title	Indicative scope	Days	Status – September 2020
FR19-1	Continuous Audit Monitoring (CAM)	Review of 4 key financial systems in line with the rolling CAM plan.	50	Completed - Cash Management - limited assurance - Accounts Payable - limited assurance - Treasury Management – moderate assurance VAT was not reviewed to avoid duplication, as HMRC were conducting an independent review of this area.

Number	Audit title	Indicative scope	Days	Status – September 2020
				One high priority finding was raised in relation to Accounts Payable, details of which can be seen at Appendix 2.
FR19-2	Right to Work Vetting Arrangements	Risk based review of the Council's processes and controls for undertaking, recording, verification and monitoring 'right to work' checks in accordance with legislative requirements. Review to cover controls surrounding right to work checks for internal staff, agency staff, contractors and voluntary sector organisations.	20	Completed - limited assurance. Two high priority findings were raised, details of which were reported to Committee in January 2020.
FR19-3	Electoral Services Review	Risk based review surrounding governance arrangements and key controls.	20	See 1.9 below, the audit did not proceed following a revised risk assessment.
FR19-4	IT Application Review	Key controls testing, including a deep-dive into one IT application. Focus on key controls and risks related to availability, integrity, confidentiality and accountability.	20	Completed – limited assurance. The review focussed on Symology, the Highways application. Two high priority findings were raised, details of which can be seen at Appendix 2.
FR19-5	IT Review – Systems out of support	Review of key controls surrounding isolated systems.	20	The original scope was revised to provide assurance on a further IT application review (Civica Pay). A terms of reference had been drafted and a scoping meeting was held, however the audit did not proceed as the implementation of Civica Pay was delayed until summer 2020. Implementation is being kept under review and Civica Pay may be the subject

Number	Audit title	Indicative scope	Days	Status – September 2020
				of a 2020-21 audit plan IT application review.
FR19-6	IT Review – Digital Strategy	Risk based review of the Council's digital strategy.	20	The audit did not proceed as the strategy was being developed.

1.4 PEOPLE

Ref	Audit title	Indicative scope	Days	Status – September 2020
PS19-1	Placement Commissioning 16-17 year olds*	Carried forward from 2018-19 (this review is in progress and will conclude in Q1 19-20). Cross-cutting review with Adult Social Care. To review the Council's commissioning processes for Looked After Children and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint Commissioning Policy. To also include a review of the effectiveness of assessment/placement processes, budget monitoring and/or contract management.	10	Completed – Limited assurance. Three high priority findings were raised, details of which were reported to Committee in September 2019.
PS19-2	Youth Offending/ Youth Crime *	Programme review of the governance arrangements in place surrounding the Council's strategy to tackling youth offending/youth crime. Scope to provide assurance surrounding controls and mitigating actions included against this principal risk.	20	The scope of this review was discussed in People DMT in December 2019 with a view to fieldwork taking place in Q4 19-20. A Terms of Reference was drafted, focussing on risks included in the Principal Risk Report that was presented to Audit Committee on 28th January 2020. An audit kick off meeting in Q4 was initially deferred by the client and then further deferred due to the auditee being engaged in the Council's Covid-19 response. The review resumed as at August 2020 and is currently underway. Outcomes will be reported to the next Audit Committee meeting.

Ref	Audit title	Indicative scope	Days	Status – September 2020
PS19-3	Schools' Monitoring*	Carried forward from 2018-19 (this review is in progress and will conclude in Q1 19-20). Risk based review of the financial management and HR services provided to schools. Scope to focus on monitoring arrangements in place to ensure that schools remain compliant with the Council's finance and HR policies and procedures.	10	Completed – management letter issued. No high priority findings were raised.
PS19-4	High Needs/ SEN Children's Placements	Risk based review of the controls in place surrounding high-neds children's placements. Scope to include monitoring and reporting of high cost care placements / packages.	15	A draft terms of reference was prepared and circulated for this review and work was planned for Q4 19-20; however this was delayed due to the auditee being engaged in the Council's Covid-19 response. Internal Audit attended People Departmental Management Team (PDMT) in June 2020 to revisit the 20-21 audit plan in line with the Council's latest principal risk report. As this audit does not relate to a principal risk, resources were considered to be best utilised on other higher risk areas. This audit has now been deferred to 2021/22.
PS19-5	Direct Payments	Risk-based review of the effectiveness of controls in place to mitigate key risks relating to the assessment, payment, management and monitoring of Direct Payments for Adults and Children.	20	Completed – limited assurance. Three high priority findings were raised, details of which can be seen at Appendix 2.

Ref	Audit title	Indicative scope	Days	Status – September 2020
PS19-6	Domestic Violence *	Risk based review of the effectiveness of the controls in place to mitigate the key risks surrounding intervention and support services, safeguarding, relationships with key partners and intelligence gathering (including trend analysis and early identification and intervention).	15	See 1.9 below, the audit was delayed due to the auditee being engaged in the Council's Covid-19 response. The review will now be undertaken in Q2 2020-21 with an extended scope based on the latest Principal Risk Report post Covid-19.
PS19-7	School – establishment reviews	Risk based review of 6 schools	42	Two completed. Schools audits were scheduled for Q4 19-20 and Q1 20-21, however four reviews were delayed due to Covid-19. These audits will now be carried out as part of the 2020-21 audit plan. In 19-20, resources were used to provide support for schools and children's centres where specifically requested (including deep dive reviews of two schools/children's centres).
PS19-8	Stronger Families	Islington has been granted Earned Autonomy by MHCLG, which means that it has moved away from the payment by results arrangement, allowing the Council to use more up-front investment to embed better ways of working. The details of the arrangement are agreed through an individual memorandum of understanding between MHCLG and the Council. Scope will be refined in year to focus on high risk areas.	10	Completed – management letter issued. No high priority findings were raised.

1.5 ENVIRONMENT AND REGENERATION

Ref	Audit title	Indicative scope	Days	Status – September 2020
ER19-1	CCTV Monitoring	Risk based review surrounding the Council's operation of CCTV systems, to ensure compliance with relevant legislation and policies and procedures. The review will also consider the communication protocols between various services across the Council.	20	Completed - management letter issued. Three high priority findings were raised, details of which can be seen at Appendix 2.
ER19-2	Parking Services	Risk based review focussed on key controls. To include review of effectiveness of the governance arrangements surrounding compliance with legislative requirements.	20	Fieldwork has concluded and the review is currently at draft report stage awaiting an exit meeting to obtain management responses to audit recommendations. Outcomes will be reported to the next Audit Committee meeting.
ER19-3	Emergency Planning / Response *	Risk based review of the governance framework, internal controls and processes in place for responding effectively to a disruptive event within the community within a suitable timeframe.	20	Completed – moderate assurance. No high priority findings were raised.
ER19-4	S106	Risk based review surrounding the Council's arrangement for managing and monitoring S106 obligations in accordance with Council policy and legislation.	20	Completed - moderate assurance. No high priority findings were raised.

1.6 HOUSING

Ref	Audit title	Indicative scope	Days	Status – September 2020
HASS19-1	Home-build Programme*	Risk based review focussing on key programme objectives. The review will focus on programme assurance and the scope will be agreed in year to avoid duplication with areas reviewed by Scrutiny Committee.	20	At draft report stage awaiting finalisation of management responses. Moderate assurance.
HASS19-2	TMOs *	Risk based review of four TMOs. On conclusion of 2019-20 TMO work, a 'common findings/lessons to be learned' paper will be produced for sharing across all TMOs	25	Two TMO reviews were completed: 1) Newbery House TMC - completed - no assurance. Eleven high priority findings were raised, details of which can be seen at Appendix 2. 2) Arch Elm TMO - completed - no assurance. Six high priority findings were raised, details of which can be seen at Appendix 2. Resource was also used to provide support for TMOs where specifically requested (including investigations work).
HASS19-3	Voluntary Sector Organisation	Risk-based review of VSO monitoring arrangements. To include a visit to one VSO.	15	One VSO was audited - at draft management letter stage. Awaiting finalisation of management responses.

1.7 PUBLIC HEALTH

Ref	Audit title	Indicative scope	Days	Status – September 2020
PH19-1	Partnership Working Arrangements	Risk-based review relating to the commissioning and management of Public Health services, specifically related to the integrated sexual health services.	15	Completed – Moderate assurance. No high priority findings were raised.

1.8 ADDITIONAL REVIEWS

Four additional reviews (AD19-1 to AD19-4) have been completed in the 2019/20 year to date (with a combined audit budget of 45 days).

1.9 AUDIT PLAN COMPLETION STATISTICS

Plan completion breakdown:

Audit status	Number of reviews
Total number of reviews included on the audit plan *(see 1.1 to 1.7 above including 6 school reviews per PS 19-17)*	35
Audits that did not proceed due to revised risk assessment/service readiness: 1. *IT application review – Civica Pay (see FR19-5 above). A terms of reference had been drafted and scoping meeting held, however the audit did not proceed as the implementation of the planned application (Civica Pay) was delayed until summer 2020.*	4

Audit status	Number of reviews
2. *IT review – Digital Strategy (see FR19-6 above). Internal Audit resource was lined up to undertake this piece however the review did not proceed as the strategy was being developed.* 3. *Electoral Services (see FR19-3 above). The review did not proceed in 19-20 due to a revised risk assessment as agreed with Gold during the Covid response.* 4. *High Needs/SEN Children's Placements (see PS19-4 above). Deferred to 2021-22 plan, as agreed with People Departmental Management Team.*	
Audits that were deferred to 20/21, at management request, due to Covid-19: 1. *Youth Offending/Youth Crime (see PS19-2 above); resumed in August 2020.* 2. *Domestic Violence (see PS19-6 above); planned for Q3 2020-21.* 3. *Schools – four establishment reviews (see PS19-7 above); planned for Q3-Q4 2020-21*	6
2019-20 audits due for completion as part of the 2019-20 plan	25
Audits completed	23
Advisory only - *Savings programme (CC19-2 above)* - *Brexit (CC19-5 above)*	2

Plan completion commentary
As outlined in Table 1.9 above:

- 35 audit reviews were included on the 2019-20 audit plan (including 3 reviews carried forward from 18/19);
- 10 reviews (including four school reviews) did not proceed as outlined in the table above (6 of which were due to the auditees being engaged with the Council’s Covid-19 response (including 4 schools); and 4 of which did not proceed due to a revised risk assessment);
- Therefore plan completion statistics for the remaining 25 reviews due to be completed as part of the 2019-20 plan are as follows:
    - 25 reviews have been completed (including two advisory) - 100%

1.10 Basis of our opinion and assurance statements

Level of assurance	
Substantial ●	There is a sound control environment with risks to key service objectives being reasonably managed. Any deficiencies identified are not cause for major concern. Recommendations will normally only be Advice and Best Practice.
Moderate ●	An adequate control framework is in place but there are weaknesses which may put some service objectives at risk. There are Medium priority recommendations indicating weaknesses but these do not undermine the system's overall integrity. Any Critical recommendation will prevent this assessment, and any High recommendations would need to be mitigated by significant strengths elsewhere.
Limited ●	There are a number of significant control weaknesses which could put the achievement of key service objectives at risk and result in error, fraud, loss or reputational damage. There are High recommendations indicating significant failings. Any Critical recommendations would need to be mitigated by significant strengths elsewhere.
No ●	There are fundamental weaknesses in the control environment which jeopardise the achievement of key service objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.

APPENDIX ENDS

APPENDIX 2 – High Priority Recommendations

2019-20 Internal Audit Annual Report
Audit Committee 29th September 2020

Introduction
This appendix summarises high priority recommendations arising in 2019-20 from audit reviews that attracted a less than 'moderate' assurance rating since our last update to Committee in January 2020. It provides an overview of findings in areas where control weaknesses have been identified that present a high risk to specific service objectives.

Satisfactory management responses to audit recommendations have been obtained. Follow up reviews will be conducted to assess the level of implementation of audit recommendations.

Reference	Audit Title
CC19-4	**Cyber Security**
Two high priority recommendations have been raised in the following areas: • Vulnerability scanning. • Legacy/end of life technology and infrastructure.	

Reference	Audit Title
FR19-1	**Continuous Audit Monitoring (CAM)**
One high priority recommendation has been raised in the following area: • Invoices are authorised (Accounts Payable).	

Reference	Audit Title
FR19-4	**IT Applications - Symology**
Two high priority recommendations have been raised in the following areas: • Access levels. • New starters and leavers.	

Reference	Audit Title

PS19-5	Direct Payments

Three high priority recommendations have been raised in the following areas:

- Transfer of monies from prepaid cards.
- Ordering of prepaid cards.
- Financial monitoring.

Reference	Audit Title
ER19-1	CCTV Monitoring

Three high priority recommendations have been raised in the following areas:

- Governance – Steering Group.
- Governance – CCTV Policy.
- Governance - Risk Management.

Reference	Audit Title
HASS19-2-1	Newbery House TMC

Eleven high priority recommendations have been raised in the following areas:

- Effective financial management and control and accounts (five findings).
- Value for money from procurement of contracts and services (two findings).
- Legal and regulatory compliance and governance (three findings).
- Data Security.

Reference	Audit Title
HASS19-2-2	Arch Elm TMO

Six high priority recommendations have been raised in the following areas:

- Legal and regulatory compliance and governance (two findings).
- Effective financial management and control and accounts (two findings).
- Value for money from procurement of contracts and services.
- Data security.

APPENDIX ENDS

APPENDIX 3 – FOLLOW UP OUTCOMES

2019-20 Internal Audit Annual Report
Audit Committee 29th September 2020

Introduction: This appendix gives details of the results of follow up of recommendations. It provides an indication of the level of implementation of audit recommendations by management. This demonstrates how well the initial audit delivered a value adding output as well as how successful management have been in mitigating the identified risk exposure.

1.1 CORPORATE / CROSS CUTTING

Number	Audit title	Indicative scope	Audit status and assurance rating 2018-19	2019-20 Follow Up Outcomes
CC18-1	Landlord Duty of Care *	Review of the Council's arrangements for ensuring compliance with Health & Safety requirements across its property portfolio.	A review focussing on fire risk assessments was finalised in October 2019 – management letter issued. Two high priority findings were raised, details of which were reported to Committee in September 2019.	Completed. The original report, dated September 2019, raised 4 recommendations (2 high priority, 1 medium priority and 1 low priority) which were fully accepted by management. Based on the discussions held with management and evidence reviewed during the follow-up audit, we have noted that: • 1 recommendation is in progress (original target date was August 2020).

Number	Audit title	Indicative scope	Audit status and assurance rating 2018-19	2019-20 Follow Up Outcomes
				• 3 recommendations (1 high priority, 1 medium priority and 1 low priority) have been partially implemented. A further follow up will be conducted as part of the Landlord Duty of Care audit in Q2 2020-21.
CC18-2	Brexit Preparedness *	Review of the Council's plans and arrangements to prepare and respond to potential risks faced following Brexit. The review will consider the effectiveness of the identification and assessment of risks within/to the following areas: • Financial Management / Funding / Investments; • Local economy, partners and suppliers; • Governance arrangements, including strategies, policies and procedures; • Talent acquisition and retention;	Support was provided to the development of a Council-wide Brexit risk assessment to identify risks arising from the UK's exit from the EU. The risk assessment has been utilised by the Brexit Resilience Group to provide guidance and continual development of risk identification.	n/a – follow-up not required. Advice continues to be provided, as detailed in Appendix 1.

Number	Audit title	Indicative scope	Audit status and assurance rating 2018-19	2019-20 Follow Up Outcomes
		• Service delivery/demand; and Legal implications.		
CC18-3	Outcomes Based Budgeting (OBB) - programme review *	Continued rolling assurance of programme governance arrangements. To include a deep-dive into two/three work streams.	Completed – management letter issued. Resources utilised on programme assurance surrounding the design of controls surrounding the **Programme Management Office (PMO).**	The review of OBB did not proceed and budget was utilised on the PMO. As per Appendix 1, the follow-up has now been incorporated into the PMO review (see Appendix 1).
CC18-4	Using Data Better Initiative	Review of the governance arrangements in place surrounding the cross-cutting *Using Data Better* initiative.	This review did not progress due to the cessation of the shared digital initiative.	n/a – a follow-up was not required as the review did not proceed.
CC18-5	Information Governance *	Cross-cutting review of the Council's information governance arrangements, including compliance with GDPR. To focus on high risk areas.	Completed – Moderate assurance. Review primarily focussed on **Record Management controls** within high-risk areas, including Children's Services.	This follow up is not yet due and a planned follow up will take place in Q3 2020-21. An interim update has been received from management, confirming that while some areas have been delayed by the Council's Covid-19 response, progress has been noted against all actions.

Number	Audit title	Indicative scope	Audit status and assurance rating 2018-19	2019-20 Follow Up Outcomes
CC18-6	Shared Digital – Transformation	Risk based review surrounding the Shared Digital governance arrangements. Review to include the delivery of the CMB prioritised programme.	This review did not progress due to the cessation of the shared digital initiative. Following an IT risk assessment undertaken with the Chief Information officer, resource was utilised on undertaking a review of **'IT Technology Debt'**. Completed – management letter issued.	This follow up is not yet due and a formal follow up will take place in Q3 2020-21. An interim update has been received from management demonstrating that key actions have progressed. The Covid-19 response period has slowed progress in many areas although it has accelerated practical progress in others including deployment of Teams and remote working infrastructure.

1.2 RESOURCES

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
FR18-1	ERP – Programme Assurance	To provide assurance surrounding the ERP programme. To include a review of the programme's governance arrangements.	Resources utilised on **Payroll key controls** review as ERP implementation was not sufficiently progressed in 2018/19.	The follow-up fieldwork in relation to Payroll key controls has concluded. A low level of implementation has been noted; and a further follow up is planned for 20/21.

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
			Payroll: Completed – Limited assurance.	
FR18-2	ERP – Control Design	To provide risk and control advice surrounding the development and implementation of the new ERP system.	Review did not proceed as ERP implementation was not sufficiently progressed in 2018/19. Resources subsumed by staff vacancy.	n/a – a follow-up was not required as the review did not proceed.
FR18-3	Continuous Audit Monitoring (CAM)	Review of 5 key financial systems in line with the rolling CAM plan.	Completed – Moderate assurance. Controls within the following key systems were reviewed in 2018/19: 1. Cash Management (Limited) 2. Accounts Payable (Moderate) 3. Treasury Management (Moderate) 4. Softbox (Moderate) 5. ContrOCC (Moderate)	A follow up of all 2018-19 recommendations took place as part of the 2019-20 CAM review. Two medium (Treasury Management and Softbox) and one low priority actions have been partially implemented (Softbox). Three medium priority actions have not been implemented (two relating to Cash, and one relating to Accounts Payable). All actions will be followed up as part of the 2020/21 CAM review.
FR18-4	Procurement	Risk-based review of the end-to-end procurement process.	Procurement – completed, Moderate assurance.	Procurement – completed. Based on the evidence

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
			Scope included follow-up review of the recommendations raised within the Contract Management Internal Audit (report finalised August 2019) to assess the rate of implementation of audit recommendations.	reviewed during the follow up audit, actions agreed at the original audit were found to be implemented. Contract Management - completed. A reasonable level of implementation has been noted. Management have been asked to provide an update in due course on the level of implementation of outstanding actions.
FR18-5	Capital Expenditure	Risk based review of the effectiveness of key controls in place surrounding the Council's capital programme.	Completed - Moderate assurance.	A follow up review commenced in Q1 2020-21, however due to resourcing pressures within the capital team due to Covid-19, it was agreed with management that the follow up will be completed in Q3 of 2020/21.
FR18-6	Shared Digital*	As per Shared Digital plan – to be confirmed on completion of 2017/18 work.	This review did not progress due to the cessation of the shared digital initiative.	n/a – a follow-up not required as the review did not proceed.
FR18-7	IT application review	Key controls testing, including a deep-dive into one IT application. Focus on key controls and risks	Resource utilised on risk management input this area.	n/a – a follow-up not required as the review did not proceed

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
		related to availability, integrity, confidentiality and accountability.		and risk management input was provided.

1.3 PEOPLE

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
FWU18_11	SEN Transport	Cross cutting review with E&R, to review the impact of increasing costs and demographic issues on service delivery as well as arrangements for ensuring ongoing viability.	Completed. Management letter issued.	Completed. A reasonable level of implementation has been noted. Management have been asked to provide an update in due course on the level of implementation of outstanding actions.
CS18-1	Placement Commissioning 16-17 year olds*	Deferred from 2017/18. Cross-cutting review with Adult Social Care. To review the Council's commissioning processes for Looked After Children and Children in Need to ensure that best value is obtained and care quality is monitored in line with Children's Services Joint	Completed – Limited assurance.	An action plan was sent to the client to commence the follow up in Q1 and Q2 19-20; however Internal Audit were advised that due to service pressures, a follow up audit could not be accommodated. Internal Audit raised the

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
		Commissioning Policy. To also include a review of the effectiveness of assessment/placement processes, budget monitoring and/or contract management.		matter at People DMT (PDMT) in June 2020. Initial evidence to support the follow up audit was subsequently received in early September 2020 and is currently being reviewed. However it was agreed at PDMT that if the follow up could not be completed prior to September 2020, officers from the Placement Commissioning Team would attend Audit Committee in September 2020 to provide an update on the implementation of recommendations.
CS18-2	Schools' Monitoring*	Risk based review of the schools' finance team to review the Council's ongoing financial monitoring arrangements in respect of schools.	Completed – management letter issued.	Completed. A reasonable level of implementation has been noted. Management have been asked to provide an update in due course on the level of implementation of outstanding actions.
CS18-3	Children's Centres / Early Years	Risk based review of the arrangements in place for the effective financial management and monitoring of Children's	Resources re-allocated to Westbourne Nursery extended follow-up review.	Resources were re-allocated to follow-up review of Westbourne Nursery, which has been completed. All

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
		Centres. To also consider the arrangements in place to manage risks relating to a reduction in funding and/or service demand.		agreed actions were found to be implemented.
CS18-4	Schools – establishment reviews	Risk based review of six schools.	The following six school audit reviews were undertaken in 2018-19: 1) **Christ the King Primary School** –Limited assurance 2) **Beacon High School (was Holloway) –** Limited assurance 3) **Rotherfield Primary School –** Moderate assurance. 4) **St John Evangelist –** Moderate assurance. 5) **Highbury Quadrant –** Moderate assurance. 6) **Winton Primary School –** Moderate assurance.	1) Christ the King Primary School – the follow-up review is currently underway. This will report in September 2020. A good level of implementation has been noted. 2) Beacon High School (was Holloway) – completed. A reasonable level of implementation has been noted. Management have been asked to provide an update in due course on the level of implementation of outstanding actions. 3) Rotherfield Primary School – completed. A good level of implementation has been noted. 4) St John Evangelist – the follow-up review is currently underway. This will report in October 2020.

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
				5) Highbury Quadrant – the follow-up review is due to take place in Q3 2020/21 after discussion with management. 6) Winton Primary School – completed. A good level of implementation has been noted.
CS18-5	St Aloysius RC College	Risk based review of St Aloysius RC College.	Completed – management letter issued.	Completed. A good level of implementation has been noted.
CS18-6	Stronger Families	Risk based review to ensure the service retains a robust level of scrutiny and oversight to the principles of the Stronger Families programme.	The Council has been granted Earned Autonomy by MHCLG, which means that Islington has moved away from the payment by results arrangement in 2018/19, allowing the Council to use more up-front investment to embed better ways of working. The details of the arrangement are agreed through an individual memorandum of understanding between MHCLG and the Council. There will be no more claims under the existing Payment by Results approach.	Actions agreed will be followed up as part of the Stronger Families audit in 2020-21.

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
			Review completed – November 2019	
HASS18-2	Mental Health Safeguarding Processes*	Risk based review of the arrangements and processes in place surrounding mental health safeguarding.	Completed – management letter issued.	The follow-up review is due to take place in Q3 2020/21 as agreed with the service management in Q2 20/21.

1.4 ENVIRONMENT AND REGENERATION

Ref	Audit title	Indicative scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
ER18-1	Blue Badge*	Deferred from 2017/18. Risk based review surrounding the administration and issue of blue badges. To include a review of controls surrounding enforcement.	Completed – Moderate assurance.	The follow-up review is due to take place in Q3 2020/21 as agreed with the service management in Q2 20/21.
ER18-2	Parking Services	Risk based review focussed on key controls. To include review of effectiveness of the governance arrangements surrounding compliance with legislative requirements.	Review deferred to 2019-20 given service changes in 2018-19.	n/a – a follow-up is not required as the review did not begin until summer 2020 due to the auditee being engaged in the Council's Covid-19 response (see Appendix 1)
ER18-4	Use of Agency Staff (E&R)	Risk based review surrounding the use of agency staff in E&R. The review will also deep dive into a sample of variable payments (e.g. overtime).	Completed – management letter issued. Resource utilised for **E&R Overtime review**, and subsequent follow-up reviews.	Completed. Outcomes were reported to Audit Committee in September 2019. Actions will be further followed up as part of the 2020-21 Use of Contingent Workers review.
ER18-5	Waste and recycling	Risk-based review surrounding the effectiveness of key controls in place surrounding for the provision of residential waste and recycling services.	Resource utilised for **'Green Space Income'** – management letter issued.	The follow-up review is scheduled for Q3-Q4 20/21.

1.5 HOUSING

Ref	Audit title	Audit Indicative Scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
Housing18-1	Rent Income and Recovery	Risk based review of the effectiveness and efficiency of the Council's arrangements for rent collection and rent arrears following the introduction of Universal Credit.	Completed – Moderate assurance.	The follow-up review is concluding and will report in September 2020. A reasonable level of implementation has been noted to date.
Housing18-1	Housing Voids	Risk based review to ensure that the following key objectives are being met: • Sound policies and procedures in place for the management of empty Council properties (voids) and these are adhered to by all staff; • Appropriate action is taken to minimise the time that Council properties are empty and classified as void. Relevant performance and financial information is produced and	Completed – Moderate assurance.	Completed. A good level of implementation has been noted.

Ref	Audit title	Audit Indicative Scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
		monitored in order to assist with this process; Repairs to void properties are restricted to those essential to meet the Council's re-let standard. All rechargeable repairs are fully and promptly charged to the outgoing tenant and appropriate action is taken to recover the sums due.		
Housing18-3	TMOs and Tenancy Management	Risk-based review of four TMOs within the borough.	Three TMO reviews completed as follows: 1. Quaker Court - at draft report stage, awaiting management response – No assurance. Summary high priority findings are included at Appendix 2. 2. Redbrick TMO – completed, No assurance. Summary high priority findings are included at Appendix 2. 3. Brooke Park Co-op – completed, Moderate assurance.	Completed (for all three TMOs listed below) 1) Quaker Court TMO - three high priority and three medium priority actions have been implemented. Two medium priority actions have been partially implemented. One high priority action has not been implemented. Revised target dates have been agreed for the remaining actions. 2) Redbrick TMO - four high priority, five medium priority and one low priority actions have been implemented. Two

Ref	Audit title	Audit Indicative Scope	Audit status and assurance rating 2018-19	Follow Up Outcomes
				high and four medium priority actions have been partially implemented. Two medium priority actions have not been implemented. Revised target dates have been agreed for the remaining actions. 3) Brooke Park Co-op – Based on the evidence reviewed during the follow up audit, actions agreed at the original audit have been implemented.
Housing18-4	Voluntary Sector Organisation (VSO)	Risk-based review of VSO monitoring arrangements. To include a visit to one VSO.	Completed. A review of Hilldrop Area Community Association was undertaken Internal Audit also delivered a training session to the Voluntary Sector Community team in January 2019 regarding the key risks, controls and fraud red-flags surrounding VSOs, with the aim of further enhancing the support the Council provides to VSOs.	The follow-up review is concluding and will report in September 2020. A reasonable level of implementation has been noted.

*** Denotes a principal risk**

APPENDIX ENDS

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ISLINGTON

Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director - Resources

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	29th September 2020	-	All

Delete as appropriate		Non-exempt

SUBJECT: Principal Risk Report – Summer 2020

1. Synopsis

Introduction

1.1. This report presents the current principal risks facing Islington. The Principal Risk Report is an annual report presenting the principal risks facing Islington written in consultation with risk sponsors, risk leaders, Departmental Management Teams (DMTs) and the Corporate Management Board (CMB).

1.2. This iteration provides and update on the Principal Risk Report presented to Audit Committee in January 2020 and the action update presented to Audit Committee in July 2019.The updated report, indicates our risk profile post Covid-19.

1.3. Following the unprecedented year the Council has had to date as a result of the Covid-19 pandemic; the Council's Risk Manager met with some 25-30 risk leads across the Council over summer 2020, to revisit principal risks (as agreed previously in December 2019). Discussions also sought to evaluate how the Council was responding to challenges, and to assess how the Council's risk management framework was being utilised to support delivery of objectives during Covid-19. This report represents the outcomes of those discussions and includes an updated overall Principal Risk Report which is intended to support the organisation to navigate its challenges in the coming year. The process for updating risks included meeting risk leads, discussing achievement of previously set objectives, identifying new risks and mitigating actions, revisiting risk scores. Feedback from risk leads has been that the process was helpful; and revisiting risks and focussing on objectives supported the renewal/recovery period that the Council was entering into.

1.4. The introduction to this report highlights key events and key changes that have occurred since the last report. Thereafter the report (Appendix 1) presents the risk impact matrix, principal risk map, risk universe, executive summary and how our Islington Strategy 2018-22 links to our risks. Appendix 2 provides detail for each principal risk, including the cause of the risk and consequence, as well as key actions to mitigate risks.

Changes in Risk Score

1.5. Covid-19 has seen a wide-ranging and large-scale impact on Islington as a borough – affecting our citizens, partners and businesses and us as an organisation. This has resulted in shifts in the delivery of services, changes in where and how people work, and resourcing and financial challenges. As a result, following discussions with risk leads across the Council, a number of our principal risk scores have changed to reflect the current external environment and the ongoing risks associated with the pandemic. Changes in risk scores are highlighted in the **Executive Summary (included in Appendix 1)** below. Risks emanating from Covid -19 have been weaved into our existing Principal Risk Report as the impact of Covid -19 is all encompassing.

1.6. **Additions**

The following new risks have been added:

1.6.1 **Risk Title** – Covid-19 Outbreak Control – details the challenges surrounding our ability to effectively identify, plan and manage local cluster of Covid-19 and our role in outbreak management going forward, in order to keep our residents safe and well.

1.6.2 **Risk Title** – Service Response to further Covid-19 details the importance of our service level resilience and preparedness in response to a second wave, this risk also discusses the need for us to adapt our services in order to meet the need of residents in the event of a second wave of Covid-19.

1.6.3 **Risk Title** – Increase in Economic Inequalities; details the challenges we may have in supporting local businesses and the disproportionate access to employment during challenging economic conditions and the impact that a downturn in the employment market would have on existing economic inequalities and the demand for Council services.

1.6.4 **Risk Title** – Covid-19 Financial Impact; details the risk of significant budget overspend for 2020/21caused by a loss of income and additional incurred costs to support residents during Covid-19, leading to the lack of sufficient resources to fund our priorities

1.6.5 **Risk Title** - External Funding Uncertainty (Longer Term); details the potential for significant budget gaps for 2021/22 and beyond due to the delay of government reviews of local authority funding arrangements and/or and economic slowdown, this may mean we cannot attain a balanced budget for 2021/22.

Risks 1.6.4 and 1.6.5 above replace the risk titled Financial Strategy from the January 2020 Principal Risk Report to Audit Committee.

1.6.6 **Risk Title** – Diversity and Inclusion; details our current focus and the challenges we face in recruiting and retaining a diverse and inclusive workforce at levels across the Council and the impact that we may fail to realise the benefits of a diverse and inclusive workforce in shaping and delivering our services.

1.6.7 **Risk Title** – Information Technology (IT) Resilience; details the risk that our IT may not be sufficiently resilient to meet the demands of services leading to operational disruption, additional cost, and reputational damage.

1.6.8 **Risk Title** - Well managed workforce; details the risks around workforce management, engagement and performance. We propose this risk replaces the existing risk of 'Recruitment and Retention'. The rationale for this being that the pressing risk is the management of the workforce, this may be especially challenging given the current requirement to work remotely, leading to some staff potential becoming dis-engaged and under-performing.

1.6.9 **Risk Title** – Domestic Violence Abuse; details the potential for a significant increase in Domestic Violence Abuse Assaults caused by Covid-19 lockdown conditions causing increased tensions, reduced accessibility to early intervention, economic slowdown resulting in increase in poverty and tensions within homes leading serious harm to individuals and families.

1.6.10 **Risk Title** – Compounded Pupil Attainment Gap; details the potential for Covid-19 to exacerbate the potential differential access to education for different socio-economic groups meaning that the attainment of pupils may disproportionately reduce as a result of Covid-19 measures causing pupils to not achieve their full academic potential.

1.6.11 **Risk Title** – Social Inequalities; details the inequalities highlighted by Covid-19 and the Black Lives Matters movement. These events have further highlighted disproportionality and racial inequality that exists in our society for those from minority ethnic backgrounds, these inequalities may lead to poor outcomes for residents and loss of faith in the Council if we fail to address.

1.6.12 **Risk Title** – Leisure Provision Closure – details the difficulties that our Leisure Provider is experiencing as a result Covid-19, the Covid-19 lockdown resulted in our leisure centres being shut for a number of weeks, these closures created financial and operational difficulties for our provider and uncertainty around how customer confidence/behaviour. These challenges may result in the failure of our provider and potential closure of our leisure centres.

1.6.13 **Risk Title** – Covid-19 Impact (Parking) – details the challenges caused by Covid-19 and the subsequent lockdown have had on parking income, this income is used to fund Council services. There remains uncertainty regarding motorist behaviour following lockdown which generates uncertainty in funding of our services.

An appendix has been shared (**Appendix 2**) should Audit Committee seek further detail for each principal risk (including the cause of the risk and consequence, as well as key actions to mitigate risks.

Amended Risks

1.7. The Change Programme Delivery risk has been amended to separate out the element of savings delivery from the broader change activity being undertaken across the Council. There are now two risks, titled as follows:

1.7.1. **Risk Title** - Savings Delivery – The risk that we are not able to actively manage and deliver the savings agreed in our Medium Term Financial Plan.

1.7.2. **Risk Title** - Change Programme Delivery – The risk that we are not able to actively manage and deliver change initiatives across the Council.

Deletions

1.8. The risk of CCTV failure is to be deleted and retained for local management within the Environment and Regeneration Directorate.

Rationale: Soon after publication of the January 2020 iteration of this report; funding was granted and received for a CCTV upgrade project. Work is now underway and due to complete in August 2020. A project board has been established and is monitoring progress of this work to digitise our CCTV systems.

Watchlist

1.9. The Council declared a Climate Emergency in June 2019, recognising the need to drastically reduce carbon emissions in the borough. A pledge has been made to work towards being a net zero borough by 2030. A strategic commitment of this nature presents significant operational, reputational and health risks. 'Climate Emergency' is to be placed on the watchlist for review once our public consultation has been concluded and our climate strategy has been developed and risk assessed.

2. Recommendation

2.1 To note the report.

3. Background

The Principal Risk Report is an annual report presenting the principal risks facing Islington written in consultation with risk sponsors, risk leaders, Departmental Management Teams and the Corporate Management Board. This iteration provides and update on the Principal Risk Report presented to Audit Committee in January 2020, and the Action update presented to Audit Committee in July 2019.

4. Implications

4.1. Financial implications

The programme of work has been met from within the existing risk management budget. The financial implications of individual principal risks are met by local budgets

4.2. Legal Implications .

There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

4.3. Environmental implications

There are no known environmental implications arising from the recommendations in this report.

4.4. Resident 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.

A Resident Impact Assessment has not been completed because the decision currently being sought does not have direct impacts on residents.

5. Reason for recommendation

5.1 To note the Principal Risks facing Islington and actions currently being undertaken/planned to mitigate these risks.

Appendices:

Appendix 1 – Principal Risk Overview
Appendix 2 – Principal Risk Detail

Final report clearance: **Date: 14 September 2020**

Signed by:
Dave Hodgkinson – Corporate Director – Resources

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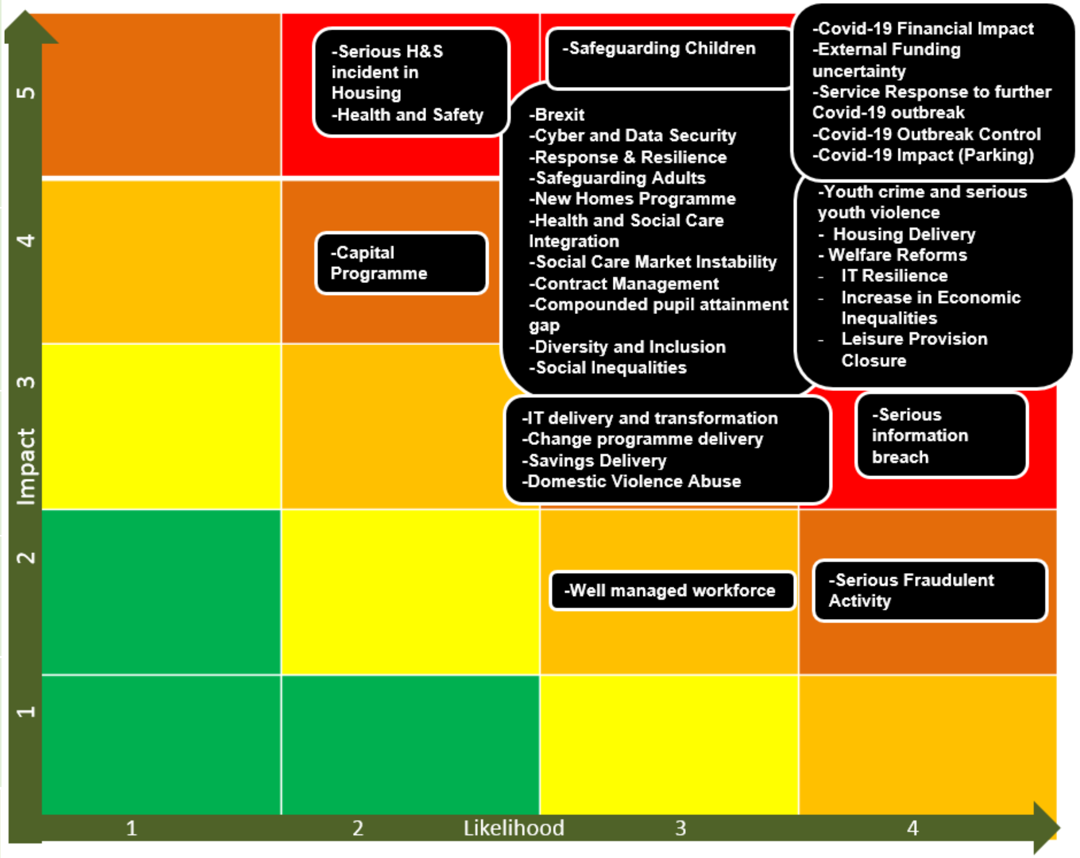
REPORT ENDS

Appendix 1 – Principal Risk Overview

Risk impact matrix and heatmap

Impact Ratings	Financial	Service Delivery	Health and Wellbeing	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple deaths or serious/life-changing non-recoverable injury(s)/extreme safeguarding alerts likely.	Long term damage – e.g. Adverse national or local publicity, highly damaging severe loss of public confidence. Widespread and high level of criticism. Impacts on staffing and recruitment.
4	Financial loss above £8m.	Major disruption of a critical service.	Multiple casualties with recoverable injuries. Major safeguarding concerns potentially affecting multiple people. Evidence of known sustained neglect or abuse without intervention.	Medium to long term damage – e.g. Adverse local, regional or national publicity, major loss of confidence, a matter that is frequently referenced in relation to the council.
3	Financial loss above £6m.	Major disruption of an important service. Moderate disruption of a critical service.	Noticeable safeguarding risks – evidence of known neglect or abuse without intervention.	Medium term damage – e.g. Adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m.	Moderate disruption of an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks – evidence of neglect.	Short term damage – e.g. Adverse publicity, national follow-up stories on the same issue.
1	Financial loss above £1m.	Brief disruption of an important service. Repeated disruption of a core service.	Medical treatment required, semi-permanent harm, up to 1 year. Safeguarding concerns of neglect.	Short term damage – e.g. Adverse publicity, regional follow-up stories on the same issue.
Likelihood Score	1 - Rare	2 – Unlikely	3 – Possible	4 – Likely



Note: risks have been scored considering the above criteria in view of the current controls in place. The criteria (Financial, Service Delivery, Health and Wellbeing or Reputation) considered most appropriate to each risk has been chosen. Risks in the same black box share the same scoring, the oorder they appear in the box is not indiciative of severity.

Risk Universe (Including risk forward trend)

Risk Universe

Partnership Stakeholder Influence

- ↑ Youth Crime and Serious Youth Violence (C.Littleton)
- ↑ Health and Social Care Integration (C.Littleton)

Health & Safety

- ⇔ Health and safety (M. Holdsworth)
- ⇔ Serious H&S incident in housing (M. Holdsworth)

Service delivery and /operational

- ↑ Safeguarding adults (C.Littleton)
- ↑ Contract Management (All Corporate Directors)
- ↑ Safeguarding children (C.Littleton)
- ↑ Welfare Reforms (M. Holdsworth/D.Hodgkinson)
- ↑ Serious fraudulent activity (D.Hodgkinson)
- ⇔ Serious information governance breach (D.Hodgkinson)
- ↓ Change Programme Delivery (A.Jennings-Buxton)
- ↑ Response and Resilience (K. Townsend)
- (N) Well Managed Workforce (D.Hodgkinson)
- ⇔ Capital Programme (S.Biggs/ D.Hodgkinson)
- (N) Covid-19 Financial Impact (D.Hodgkinson)
- (N) Covid-19 Impact (Parking) (K.Townsend)
- (N) IT Resilience (D.Hodgkinson)
- (N) Diversity and Inclusion (D.Hodgkinson)
- ⇔ Savings Delivery (D.Hodgkinson)

Strategic

- ↑ Brexit (C.Littleton)
- ↑ Cyber and Data Security (D.Hodgkinson)
- ⇔ IT delivery and transformation (D.Hodgkinson)
- ↑ New Homes Programme (M.Holdsworth)
- ↑ Social Care Market Instability (C.Littleton)
- ↑ Housing Delivery (K.Townsend/M.Holdsworth)
- (N) External Funding (D.Hodgkinson)
- (N) Domestic Violence Abuse (C.Littleton)
- (N) Compounded pupil achievement gap (Post Covid-19) (C.Littleton)
- (N) Covid-19 Outbreak Control (J.Billett)
- (N) Service Response to further Covid-19 outbreak (J.Billett/M.Holdsworth)
- (N) Social Inequalities (A.Jennings-Buxton)
- (N) Increase in Economic Inequalities (S.Biggs)
- (N) Leisure Provision Closure (K. Townsend)

↑ Increasing Trend
↓ Reducing Trend
⇔ Stable trend
(N) New Risk

Executive summary of the principal risks

L=Likelihood Score I=Impact Score (0) – denotes no movement in risk score since Jan 20, if a ‘+ or –‘ is indicated this denotes a change in the risk score since Jan 20

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
20 (-)	4	5	Covid-19 Outbreak Control	J.Billett	-	↑	Outbreak management has been occurring since the start of the pandemic with the London Coronavirus Response Centre (LCRC) leading the initial response in all settings and local authorities providing support to settings experiencing ongoing outbreaks. Our role in the management of outbreaks has been enhanced, our role now extends to taking a lead in supporting local settings or communities with complex outbreaks, where local knowledge and insight is required and managing the response to community cluster, with support advice from LCRC.
20(-)	4	5	Service Response to further Covid-19 outbreak	J.Billett/M.Holdsworth	-	↑	Council services are beginning to return to a ‘new normal’ following the initial peak of Covid-19, there remains a risk of a further surge in Covid-19, we are undertaking a number of activities to ensure we can meet the needs of residents going forward in the event of a further surge in Covid-19.
20 (-)	4	5	Covid-19 Financial Impact	D.Hodgkinson	-	↑	The impact of the measures put in place to tackle the Covid-19 risk our financial position are significant. However a portion of our Covid-19 related costs/losses are considered one-off, therefore as lockdown is eased we may start to recover cost certainty and the ability to collect delayed income.
20 (-)	4	5	External Funding Uncertainty	D.Hodgkinson	-	↑	We have some short term certainty around our funding position due to the confirmation of the delay to these reviews, however the structure/scale and pace of expected funding changes remain uncertain impacting our ability to plan our finances
20 (-)	4	5	Covid-19 Impact (Parking)	K.Townsend	-	↔	Covid-19, and the possibility of local lock-downs continue to create uncertainty around motorists behaviour in the longer term, however this risk is stabilising month on month as signs of motorist activity and returning businesses support the operation across the borough. Cashless parking has seen a steady month on month increase operating at 75% compared to the same period last year. On-street enforcement and CCTV continue to support parking compliance. Suspension requests and permit payments are also showing positive signs with increased activity.
16 (-)	4	4	Increase in Economic Inequalities	S.Biggs	-	↑	Covid-19 has further deepened the existing economic inequalities within Islington, whilst the full economic impact of Covid-19 is not yet known the predicted economic slowdown may significantly disproportionately increase unemployment. We are working with our local businesses and priority groups (BAME, Disabled, Women and Young People) to reduce inequalities.

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
16 (-)	4	4	Youth crime and serious youth violence	C.Littleton	↔	↑	Although violent crime overall declined in Islington in 2019-20 and crime reduced significantly during lockdown it is now starting to increase. There are concerns regarding the longer term impact of Covid-19 on vulnerable young people and families in the borough and on violent crime. In particular the continued closure of schools and youth clubs etc. The council is working to provide a comprehensive youth offer as usual during the summer but this is restricted due to Covid-19 safety measures. Risk levels can change rapidly and so the forward trend remains at a high-risk score.
16 (+4)	4	4	Welfare reforms	M. Holdsworth/M. Bevis	↑	↑	Universal Credit applications have increased at double the pre-Covid rate, primarily due to job losses caused by coronavirus, resulting in larger than expected rent arrears, although rates have now returned to normal. Additionally government messaging around evictions and rents has been confusing for residents, with some believing they don't have to pay rent during this period of crisis.
16 (+4)	4	4	Housing Delivery	K.Townsend/M.Holdsworth	NEW	↑	The element of this risk which is related to slow down in construction largely outside of our control. There has been increase in risk to the Local Plan adoption as the Planning Inspectors raised further misses related to the housing supply delaying the process and adoption of the plan.
16 (-)	4	4	IT Resilience	D.Hodgkinson	-	↑	A number of improvements are required to improve our IT resilience, in light of the external environment and challenges the need for this work has increased.
16 (-)	4	4	Leisure Provision Closure	K.Townsend	-	↔	We continue to closely monitor and support GLL during the phased re-opening. This risk is heavily dependent on how central government structure the phased re-opening and customer uptake.
15 (+5)	3	5	Safeguarding children	C.Littleton	↔	↑	Covid-19 has impacted the likelihood score of this risk as although we have been visiting some children face to face during Covid-19, those that have been visited virtually, the practitioner cannot guarantee that the child is able to speak out or that they are able to pick up on cues if a child is being harmed. Research and evidenced based practice tells us that the longer abuse and neglect goes on for the increase effect it will have on children and the more trauma they suffer. Therefore increasing the intensity of the intervention to help the child and family recover from that trauma.

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
12(-)	3	4	Diversity and Inclusion	D.Hodgkinson	-	↑	Covid-19 and other world-wide events raised the issue of the perceived unfairness in relation to BAME staff specifically. Diversity and Inclusion run throughout the Workforce Strategy, but greater focus will now be given to address staff concerns. To achieve that a new cross cutting ‘Challenging Inequality Programme Board’ has been established with Corporate Director leadership. Islington is determined to achieve ‘Equalities Gold Standard’ which sets out a clear set of actions to achieve this ambition and to ramp up management actions in this area. Human resources are drafting an action plan or interventions such as reverse mentoring that could be implemented quickly to ensure that we can meet our fairness aspirations and the Equalities Gold Standard.
12 (-)	3	4	Social Inequalities	A.Jennings-Buxton	-	↓	The disproportionate impact of Covid-19 and the Black Lives Matter movement have exacerbated the deep inequalities faced not only by the black community but also for those from other minority ethnic backgrounds, highlighting the racial inequality that still exists in our society. The impact has been far reaching, not only in terms of risk of contracting the, but also manifesting across a wide range of issues such as employment, education and housing to name a few. Islington is committed to addressing and challenging these inequalities, we have invested in resources and established a new framework to help us reduce inequalities. Our new ‘Challenging Inequality Programme’ will provide the framework through which we will collectively work towards our ambition of being the fairest borough in London and tackle the racial injustice that still exists.
12 (-)	3	4	Brexit	C.Littleton	↔	↑	The risks associated with Brexit need to be reassessed in light of Covid-19 when the Brexit Resilience Group resume their meetings. Planning for this will be ramped up in the coming period, taking into account the potential for a no deal alongside winter pressures and Covid-19.
12 (0)	3	4	Cyber and Data Security	D.Hodgkinson	↔	↑	Covid-19 has impacted the way we work, shifting to remote working. We continue to enhance our cyber security, however the external cyber threats are becoming ever more sophisticated and Covid-19 saw a trend for an increase in the frequency of Cyber-attacks.
12 (0)	4	3	Serious information breach or non-compliance with legislation	D.Hodgkinson	↔	↔	The risk score is likely to remain stable. The council currently has a range of controls in place to manage the risk but can never fully eliminate human error that either results in a breach of data or non-compliance with legislation. The range of sanctions available to the Information Commissioner’s Office (ICO) remain unchanged and therefore the Impact continues to be quite high due to the potential fines available to the ICO.

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
12 (-)	3	4	Response and resilience	K.Townsend	↔	↑	The Covid-19 response provided an opportunity for us to test our approach to resilience planning, and provided comfort around our level of organisational response. External factors including Covid-19, Social unrest in response to the Black Lives Matter movement and/or Brexit increase the pressure on our existing resources in the Emergency Planning Unit and may impact our ability to respond to multiple events.
12 (0)	3	4	Safeguarding adults	C.Littleton	↔	↑	The risk score remains unchanged however there has been an increase in the number of safeguarding concerns raised as a result of Covid-19 and the subsequent restrictions of movement and absence of local community based facilities for local residents. This has been addressed with new guidance for staff, awareness raising information for the public and additional resources allocated to the safeguarding unit to support the timely enquiries into safeguarding concerns in complex cases and care homes. We have also supported the development of safeguarding awareness within the mutual aid/connected communities groups.
12 (0)	3	4	New Homes Programme	M.Holdsworth	↔	↑	Economic outlook for income is uncertain, construction delays or translation into cost pressures are not yet fully understood.
12 (0)	3	4	Social Care Market Instability	C.Littleton	NEW	↑	The trend is increasing as the impact and consequences of the Covid-19 pandemic are fully realised. There is no evidence currently that any local providers are at imminent risk of failure but uncertainty as to the future impact of the pandemic means this remains high risk. The majority of our care homes are large providers with robust support in place. Covid-19 has ignited the national debate about the uncertainty of long term funding for social care, whilst the risk of a no deal Brexit remains a real possibility.
12 (+4)	3	4	Contract Management	S.Biggs	↔	↑	The likelihood of potential service provision failure, not achieving value for money or missing social value aspirations has increased to 'possible' from 'unlikely'. A number of contractors in multiple sectors (including construction and leisure) are experiencing financial difficulties.
12 (0)	3	4	Health and Social Care Integration	C.Littleton	NEW	↑	The North Central London (NCL) Clinical Commissioning Group (CCG) is now fully operational. The local Borough Partnership provides a forum for shared decision making on a borough level, we continue to work with the NCL CCG to ensure the shared arrangements meet the needs of Islington residents. Section 75 governance work was delayed due to the pandemic but is now restarted.

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
12 (0)	3	4	Compounded pupil attainment gap	C.Littleton	-	↑	Covid-19 highlighted differential access to education for different socio-economic groups, in access to technology, reduced contact to assess progress and barriers to learning. A number of measures have been put in place to provide options for pupils to access education and also schemes are in place to allow additional learning over the summer period. However the uncertainty around the potential for a second wave of Covid-19 remains, this may further impact on academic achievement.
10 (0)	2	5	Serious H&S incident in housing	M.Holdsworth	↔	↔	Works to mitigate risk is being undertaken but this programme of work will be ongoing due to size of council stock
10 (+2)	2	5	Health and safety	M.Holdsworth	↔	↔	Enhanced risk due to Covid-19 pandemic but mitigated by staff working from home during lockdown and effective risk assessment regime in place for those who are attending the workplace
9 (-)	3	3	Domestic Violence Abuse	C.Littleton	-	↑	Covid-19 has increased the risk of domestic violence abuse globally; while we have not seen that increase in Islington yet we are expecting reporting and incidents to increase as lockdown measures ease. However the strong partnership response and increased investment in services in Islington means that we have increased capacity to respond and provide interventions to victims/survivors and their families.
9 (-)	3	3	Change Programme Delivery	A.Jennings-Buxton	↔	↓	Our governance of change programmes has improved through the establishment of the Corporate Delivery Framework. As this framework starts to embed we expect the level of risk to reduce
9 (-)	3	3	Savings Delivery	D.Hodgkinson	↔	↔	Covid-19 is currently not expected to have a significant direct impact on in-year savings delivery. However, the medium-term outlook is very uncertain and possible impacts include delays to commercial property income savings. Our governance of MTFS has improved through the establishment of the Corporate Delivery Framework.
9 (0)	3	3	IT delivery and transformation	D.Hodgkinson	↔	↔	We will need to escalate the timing on digitisation to respond to Covid-19 and explore options to bring works within budget.
8 (-1)	2	4	Capital Programme	D.Hodgkinson/ S.Biggs	NEW	↔	We are currently re-profiling some projects to reflect the impact of Covid-19 on scheduling. A new system of governance is in place enhancing our programme control
8 (+2)	4	2	Serious fraudulent activity	D.Hodgkinson	↑	↑	Covid-19 may lead to an increase in fraud due to relief measures being offered such as business grants. The challenging economic environment may also result in an increase in fraud attempts.

Risk Score	L	I	Risk Title	Corporate Management Board (CMB) Risk Sponsor	Risk Score Outlook Dec 19	Risk Score Outlook July 20	Comment on change in trend
6 (-)	3	2	Well Managed Workforce	D.Hodgkinson	-	↔	Covid -19 has demonstrated that our workforce is adaptable and can respond impressively to crises when required. It is therefore possible to act sooner on several aspects contained in the strategy such as greater focus on management, flexible working and there are still targets to meet in the level of agency spend, sickness rates and % of BAME staff in the top 5% of earners, however clear action plans exist in these areas and it is expected that further progress will be made. System improvement in Human Resources (HR) will enable improved management information to support managers.

How our risks link to our objectives

External Risks

- Covid-19 – Outbreak Control
- Brexit

Safety – *Creating a safe and cohesive borough*

- Youth Crime and serious youth violence
- Domestic Violence
- Safeguarding Adults and Children
- Serious incident in housing
- Brexit
- Social Inequalities

Place and Environment – *Making Islington a welcoming attractive borough and creating a healthier environment for all*

- New Homes Programme
- Capital Programme
- Leisure Provision Closure
- Covid-19 Impact (Parking)

Homes – *Delivering decent and genuinely affordable homes for all*

- Housing Delivery
- New Homes Programme
- Brexit

Health and Independence – *Ensuring our residents can lead healthy and independent lives*

- Welfare reforms
- Safeguarding adults
- Social care market instability
- Health and social care integration
- Social Inequalities

Jobs and money - *Delivering an inclusive economy, supporting people into work and helping them with the cost of living*

- Welfare Reforms
- Economic Inequality
- Compounded achievement gap post Covid-19
- Social Inequalities

Our Commitments 2018-2022

Children and Young People – *Making Islington the best place for all young people to grow up*

- Youth crime and serious youth violence
- Domestic Violence
- Safeguarding children
- Health and Social care integration
- Social Inequalities

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Well run Council – continuing to be a well run council and making a difference despite reduced resources

Service Delivery	Financial Stability	People	Data, Governance and Technology
• Response and Resilience • Service Response to further Covid-19 outbreak • Health and Safety (Employer) • Contract Management • Change Programme Delivery	• Savings Delivery • Covid-19 Financial Impact • External Funding	• Diversity and Inclusion • Workforce Management	• Serious Fraudulent Activity • Information Governance • IT Infrastructure (Cyber and Data Security and IT Strategy, IT Resilience)

Appendix 2 – Principal Risk Detail

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
20	4	5	**Risk Title** Covid-19 Outbreak Control **Risk** The Council lacks the appropriate preparedness and resilience to identify, respond to and manage outbreaks and/or community clusters of Covid-19. **Cause** Lack of data to inform our outbreak response. Lack of resources /surge capacity (Public Health and Environmental Health) to respond to outbreaks. Insufficient Public Health (PH) England London Coronavirus Response Centre (LCRC) capacity (first line response to most outbreaks). Lack of engagement/adherence with PH advice & guidance and/or Test and Trace within local community & local organisations/institutions. **Consequence** Failure to identify/manage local outbreaks and / or the activities that keep our communities safe and well, leading to a distributed outbreak in the community, need for further restrictive measures. **Risk Trend:**	Outbreak management has been occurring since the start of the pandemic with London Coronavirus Response Centre (LCRC) leading the initial response in all settings and local authorities providing support to settings experiencing ongoing outbreaks. The NHS Test and Trace service launched on 28 May 2020 across England. NHS Test and Trace will require an expansion of our local outbreak support capacity working in close collaboration with PHE. The Council will take a lead in supporting local settings or communities with complex outbreaks, where local knowledge and insight is required. Our role in managing community clusters has been enhanced, with the Council taking the lead on managing the response, with support and advice from LCRC. Our Outbreak Management Plan provides a framework for the multi-agency response to Covid-19 outbreaks that occur within the London Borough of Islington. *Caveat – our role and responsibilities in the event of an outbreak are fully defined in our Outbreak Management Plan.*	Covid-19 Resilience Risk Register Borough Emergency Command Centre Covid-19 Response Team (Public Health Team and Environmental Health Team) Covid-19 Health Protection Group Islington Borough Resilience Forum **The Outbreak Management Plan**; Outbreak Prevention and Control plan has been published and is available on the website. The Outbreak Management Plan has been completed pending some small additional updates relating to the regional and national service. The plan sets out how the London Borough of Islington will swiftly, safely and effectively respond to outbreaks and support the management of cases in complex settings. The plan focuses on identifying and containing potential outbreaks in places such as workplaces, accommodation settings, care homes and schools, ensuring testing capacity is deployed effectively and helping the most vulnerable in self-isolation access essential services locally. It also supports an integrated approach between local and national government, with a range of other partners such as the NHS, GPs, businesses, employers, voluntary organisations, community partners, and the general public. Outbreak Prevention and Control activities are supported by a local data dashboard, which will be updated and reviewed on a daily basis using national and regional data sources. There remain some gaps in the data available to local authorities.	The Outbreak Management plan will be reviewed monthly. Initial testing of the plan will take place via a workshop with scenario-based testing with the Islington Contact Tracing Working Group. This will validate the plan, develop staff competencies and give them practice in carrying out their roles and to test new and well-established procedures. Participation in sub-regional peer review exercise with other NCL boroughs and PHE on Outbreak Control Plans, and in other regional exercises. Ongoing training, awareness raising and communication with local partners, networks and communities to increase knowledge and awareness of Test and Trace and the necessary actions and control measures that all individual sectors will need to follow. **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
20	4	5	**Risk Title** Service Response to further Covid-19 outbreak **Risk** Council services are not adapted to respond to a further surge in Covid-19 (lacking the capacity/ability to rapidly scale up support to residents whilst maintaining a focus on business as usual) **Cause** Business continuity plans may not be executable (Lack of supplies/resources) or up to date. Lack of available financial and/or human resource to rapidly scale services. **Consequence** Inability to deliver our corporate plans whilst sustaining business as usual. Failure to provide appropriate resources for residents, businesses or visitors and/or sustained inability to deliver critical services and keep residents safe. **Risk Trend:** 	We have been planning for a 'new normal' an exercise is underway to refocus to ensure we can meet the needs of residents going forward, the exercise was broken down to look at: • Risk Assessment & Mitigation - Assessing risks on pre-Covid 19 delivery plan including major projects, departmentally and corporately • Rebuilding for the longer term - Refreshing strategic objectives for each of our three corporate programmes: Community Wealth-Building, Fairer Together, Strengthening Team Islington • Developing refreshed delivery plans - Each Department and Corporate Programme produced refreshed Delivery Plans	Strategic Resilience Group Covid-19 Resilience Risk Register Borough Emergency Command Centre Covid-19 Response Team (Public Health Team and Environmental Health Team) Covid-19 Health Protection Group Islington Borough Resilience Forum Corporate Delivery Board Business Continuity Plans have been reviewed to recognised potential impact of future infections.	Resilience Strategic Group and Resilience Leads Group to keep under review. **TARGET COMPLETION:** Ongoing Health protection group to provide an overview and track trends and local infections and escalation in terms of council response to surge. **TARGET COMPLETION:** Ongoing

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Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
20	4	5	**Risk Title** Covid-19 Financial Impact **Risk** Significant budget overspend for 2020/21 **Cause** Loss of Income and additional incurred costs to support residents during Covid-19. **Consequence** The Council may not have sufficient resources to fund all of its priorities **Risk Trend** 	The Council's financial resilience is at immediate risk as a result of Covid-19 measures. A number of activities have been undertaken to support residents and our Council services throughout the pandemic. A number of these measures have significant and unbudgeted impacts. Covid-19 has resulted in an unexpected loss of income from in excess of £45m (from lost income in parking and leisure, council tax, business rates and rents). The exact quantum of this lost income remains uncertain due to the nature of the pandemic and the measures in place. The financial pressure on both the General Fund (GF) and Housing Revenue Account (HRA) mean there is a risk that the Council may not have sufficient resources to fund all of its priorities. The government have provided some financial support to the Council, however this support does not cover the cost our losses to date, the government may provide further financial support but this has not been confirmed, we assume that not all of our costs will be reimbursed. We are keeping our financial position under review as lock-down is eased and services come back on-line, residents and businesses resume payments and we start to return to a new normal.	The Corporate Management Board and the Executive closely monitor financial performance delivering robust financial monitoring on a monthly basis. Members and Officers have been working with other local authorities and bodies to lobby for additional funding. We are continuously reviewing and updating the financial position to aid understanding the issue and financial planning	Monitoring options to fund budget shortfall. **TARGET COMPLETION: Ongoing**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
20	4	5	**Risk Title** External (Longer Term) Funding Uncertainty **Risk** Significant budget gaps for 2021/22 and beyond **Cause** Delay of government review of local authority funding arrangements, Economic Slowdown, **Consequence** Unable to attain a balanced budget for 2021/22, impact on MTFS. **Risk Trend**	The Fair Funding review is expected to impact on Islington finances by moving money away from London towards the north of the Country. We were expecting the review to be implemented for 2021/22 but this is now to be delayed. We are also anticipating that the next Spending Review will reflect the fact that the Government has borrowed significant sums to deal with the pandemic and therefore the overall funding available to local government is likely to reduce. Finally, Government has committed to resetting the business rates funding model to remove the growth that authorities have built up over the past few years. Again, this reset is delayed, the delays to these reviews increases the amount of uncertainty in our budgets and forecasting.	The Corporate Management Board and the Executive closely monitor financial performance delivering robust financial monitoring on a monthly basis. Society of London treasurers. London Council's and GLA lobbying regarding the outcomes of the Government reviews with Fair Funding consultation submissions due by 21 February 20 LBI will respond to consultations as they arise. Understanding and modelling expected impact to enable financial/service planning, informing MTFS.	We will respond to the government funding consultations. **TARGET COMPLETION: Ongoing**
20	4	5	**Risk Title** Covid-19 Impact (Parking) **Risk** Significant budget overspend in Environment and Regeneration 2020/21 **Cause** Change in motorists behaviours post Covid-19 Lockdown **Consequence** A reduction in enforcement to support free key worker parking. Loss of income which would impact our ability to fund our services and meet the needs of residents. **Risk Trend:**	On street, CCTV and cashless parking revenues have significantly declined as a result of the Covid-19 lockdown, this decline in parking revenues may generate a significant budget gap. We estimate the scale of the risk to be £8.5m. We have been monitoring motorist's behaviour throughout lockdown and as lockdown measures have been eased. Within parking we have actively refer to government guidance and London Councils relating to enforcement activity. We have provided parking permits for key workers during lockdown and continue to provide these to support key workers in Islington. Our approach to this continues to be monitored.	As traffic volumes increase in the coming months we expect a change in motorist behaviour. The Council has a People Friendly Street Programme (Low Traffic Neighbourhoods, School Streets and the lorry control programme) which will be rolled out. In order to support the above measures we are implementing a recovery plan for enforcement services and monitoring via our parking account scrutiny board.	Pro-active monitoring of motorists behaviour **TARGET COMPLETION:** Ongoing Continue to implement planned savings projects **TARGET COMPLETION:** Ongoing CCTV expansion to support the people friendly streets programme **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** Increase in Economic Inequalities **Risk** Increase in economic inequalities and significantly reduced economic wellbeing **Cause** Economic slowdown, leading to increased unemployment and business failure. Lack of confidence (investors and developers) **Consequence** Significant increase in poverty and unemployment across Islington, increasing demand for Council services. Employment spaces not utilised and optimised. Potential loss of income for the Council **Risk Trend:**	Significant income inequality exists in Islington, the Covid-19 crisis may further deepened these existing inequalities. In response to the increase in risk in this area the existing Inclusive Economy programme has now expanded to integrate adult employment, and further develop its partnerships and enhance its approach to sectoral working. There are a number of activities which are underway to support residents and local business, these include: - Responding to and distributing resources released by central government for small businesses, including developing advice for businesses about how to safely re-open and adapt following Covid-19 - We have drafted our Community Wealth building framework to maximise the Council's recovery efforts to support local residents and businesses. - Targeted employment support for our priority groups (these include young people, BAME, disabled and women)	Distribution of central government resources i.e. the small business support schemes Development of bespoke re-opening advice and business adaptation advice Online offer in respect of employment support and working with housing to target council tenants and our street population Seeking funding to support businesses and to help residents get back into work. Re-scoped existing inclusive knowledge economy project to respond to emerging opportunities in life sciences. Re-scoping social value expectations from affordable workspace portfolio Skills Strategy - Development of skills strategy to focus on supporting residents including priority groups, newly unemployed and those who need re-skilling to change sector.	Continue to monitor central government advice and action as appropriate **TARGET COMPLETION:** Ongoing Developing green economy strategy to enable an inclusive economy **TARGET COMPLETION:** October 2020 Research on impact of Covid-19 crisis, particularly on priority groups **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** Youth Crime and Serious Youth Violence **Risk** Increase in crime and harm from Serious Youth Violence. A perceived failure to respond adequately to/prevent crime involving young people, despite funding & well publicised plans. **Cause** Early childhood trauma, disrupted attachment may lead to children unable to self-regulate; therefore they are more likely to offend. Interventions are not sufficiently tailored or impactful. The pull of gang affiliation/ offending means trauma/ behaviours are not addressed early enough **Consequence** Media coverage contributes to fear of crime, negative attitudes towards young people compounding the issues they face. More young people in criminal justice system **Risk Trend:**	In 2019 - 2020 Islington recorded (compared to 2018-19) a 6% reduction in Violence Against the Person compared to a 2.8% increase across MPS boroughs as a whole. There were reductions in all knife crime categories (knife crime with injury under 24yrs down 43%) and gun crime offences down (41%). During the lockdown period Islington saw significant crime reductions in the majority of crime areas (40% reduction overall) including across all violent crime types. Crime has started to increase since the easing of the lockdown measures. The areas of concern for Islington centre around a small number of parks / estates where established gangs / groups are causing issues with increasing drug dealing and robbery. The borough has also seen an increase in gang tensions, linked to "drive byes" where videos in rival areas are filmed to taunt / call out other gangs and posted on social media. The likely impact of any post-Covid-19 economic downturn on family incomes and youth and adult employment in the borough is likely to be most damaging for the most disadvantaged. There are also significant concerns regarding the long term impact on young people of the Covid-19 situation on children's emotional health and wellbeing, education and the safety of children while not in school including around the risks of criminal exploitation.	**Controls** Delivery of Working Together for a Safer Islington Plan 2017 – 20 continues while the new Youth Safety Plan is being developed. Investment in youth services, Integrated gangs team, youth violence prevention and Missing and Exploited team. Youth violence prevention work in schools through IYLA – Improving Young People Lives through Awareness The Trauma informed approach is being rolled out in schools; there have been reductions in behaviour incidences and exclusions, also being rolled out at a neighbourhood level, across council, voluntary sector and partner agencies. Violence Reduction Unit (VRU) funding has been used to sustain and extend the Transition to Secondary school project. The VRU funding is also being used to expand trauma training for VCS, Family Strengthening Conferences, IDVA in TYS working with children and young people. Islington and Camden have secured £400k additional VRU funding to deliver a Parental Support project. The Met police have a Violence Suppression Unit (VSU) dealing with high harm offenders and groups with covert operations continuing. Islington has seen continued reductions in First Time Entrants to the Youth Justice System and Custodial numbers are down The work of the IGT was highlighted as good practice in the March Ofsted inspection of Islington Children's Services The growth funding to expand VAWG services support families where there is child to parent violence. Focus on exclusions and school attendance	The work on the new Youth Safety Plan for Islington has continued during lockdown with a view to launch in August. **TARGET COMPLETION**: August 2020 launch The VRU parenting support project offering community based, peer-to-peer support in the context of a public health approach to violence reduction in Camden and Islington **TARGET COMPLETION:** Starts August 2020 Co-location of police officers into Community Safety & ASB teams **TARGET COMPLETION**: September 2020 Disproportionately project: Islington, Haringey and City University during

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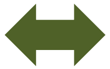
Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** Welfare Reforms **Risk** Cannot efficiently collect rent following introduction of Universal Credit (UC) when housing support is paid directly to the claimant. **Cause** Government policy, Covid-19 (accelerated number of UC applications) **Consequence** Vulnerable residents in significant new financial hardship. Evictions and homelessness may also increase. **Risk Trend**	Welfare reforms continue to present a major challenge for the council and its residents. Residents receiving Universal Credit have higher rent debts three times higher than those on Housing Benefits. Due to the closure of 222 Upper Street along with partner organisations, all UC support services are being triaged through the council's telephone network. Calls are managed to help with housing issues along with signposting to other services such as iWorks and IMAX. The current period has seen a larger than expected increase in council tenants claiming Universal Credit by almost double. Numbers rose by approximately 1200 between March and June against an expectation of 600. This has contributed to an increase in rent arrears of over £1.2m during this period. The Coronavirus Act 2020 amended the expiry period for Notices of Seeking Possession from 4 weeks to 12 weeks in attempt to reduce evictions during this period. Locally the decision was made to not serve notices to tenants. Evictions were suspended by closing the courts, which are now scheduled to re-open at the end of August pending social distancing requirements. Whilst there have no evictions during this period, the financial impact of these measures is estimated to be £300,000 along with 9 unrecovered homes, which would normally be used to house families on the waiting list.	Programme of support for residents, identifying most vulnerable and tailoring our support accordingly. We will reduce caseload/patch sizes for officers and are working more closely with VCS organisations in providing budgeting and access to employment advice and food bank support/advice. Use of analytical data to identify those most at risk from transferring to Universal Credit and targeting them with support. We have convened a joint member and senior officer group to ensure the council was fully prepared for the introduction of UC Full Service from June 2018, which is continuing. Co-ordinated cross-council response in conjunction with key external partners. Continue to disseminate key messages to residents and frontline staff about our approach and support in respect of UC. Support the scrutiny review of UC by Policy and Performance Committee. Monitor rent arrears, offer of alternative payment arrangements and provide advice service demand Formal and ongoing liaison with Depart of Work and Pensions (DWP) to discuss UC roll out and issues. Continue to ensure staff are trained on UC and have up to date information.	Online direct debits will be introduced as part of Northgate Online, which will be delivered during 2020. Staff have been trained as Digital Champions, which includes support to those who require it to navigate Universal Credit. **TARGET COMPLETION: Late 2020** Restructure Income services to include Universal Credit support team for council tenants **TARGET COMPLETION: Late 2020** Analysis of UC data to understand how best to support residents. **TARGET COMPLETION:** Ongoing Review cross council approach to supporting residents in debt. **TARGET COMPLETION:** Mid-late 2020 Exploring the financial and economic legacy of Covid-19. **TARGET COMPLETION:** Mid-late 2020

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** Housing Delivery **Risk** Failure to meet overall housing targets **Cause** Shortage of sites, market turbulence/slowdown impacting developers (including private developers, housing associations etc.). **Consequence** Inability to meet our commitment to residents. A weakening position over time to secure planning benefits (including affordable housing from any site and our ambitious policies in the new local plan would not be given full weight in the planning process) **Risk Trend:**	We have failed to meet the delivery targets set out under the Housing Delivery test for 17/18 and 18/19. We anticipate it will be challenging to meet the requirements for 19/20, it is also likely that data for the current year may be incomplete. The impact of Covid-19 means it may be challenging to conduct our Annual Monitoring Survey to establish the current position of construction in the borough due to difficulties with on-site inspections. There is some uncertainty around how the Housing Delivery Test will be handled this year by the government due to Covid-19. The Greater London Authority (GLA) are lobbying government to suspend housing delivery test. We submitted our Local Plan to the Planning Inspectorate on 12th February 2020, examination and hearings (initially scheduled for June, were moved provisionally to September 2020 partly due to Covid-19). The Hearings have now been further delayed and the Council has been asked to undertake further work to evidence how the short and long term housing targets will be met. This additional work is only partly linked to impacts of Covid-19.	Authorities that fall below 95% delivery are required by the NPPF to produce an action plan to assess the causes of under-delivery and identify actions to increase delivery in future years. In addition, authorities where housing delivery falls below 85% are required to include a 20% buffer in their five-year housing land supply calculation. Our action plan identifies the reasons for under-delivery, explores ways to reduce the risk of further under-delivery and sets out measures we intend to take to improve levels of delivery.	The emerging Local Plan was submitted for Examination in February 2020. The Examination Hearings were initially delayed due to Covid-19, but have been further delayed by Inspectors raising further concerns about housing supply. The Council is required to do further work to demonstrate the how short and long term housing target swill be met. It is unclear at this stage when the Hearings will be held. **TARGET COMPLETION: Adoption likely towards the spring/summer 2021.** Reviewing options and working with developers to accommodate central government request to extend construction site hours to support housing delivery, there are very significant challenges to overcome in Islington and we have already experienced some pushback for residents. **TARGET COMPLETION: This will be ongoing (the council will respond the developers requests)**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** IT resilience **Risk** Our IT is not sufficiently resilient to meet the demands of services **Cause** Lack of investment in technology, lack of resources to build and monitor resilience, lack of disaster recovery planning **Consequence** Operational disruption, additional cost, reputational damage **Risk Trend:**	We have identified a number of areas of improvement for our IT ecosystems, these improvement areas required to improve resilience and reduce single points of failure. One of our data centres has a much lower capacity than the other and can support limited services. One of our offices has no generator connection (former attempts were disrupted by outside events) and can only short power outages can tolerated on Uninterruptable Power Supply (UPS) supplies, this reduces our overall resilience due to our network design dependency. At an application level, on-premises applications are generally all running off one instance and are therefore susceptible to hardware or software failure. Backups are to tape which has a long restore time. To improve resilience the following has occurred: • Council email is hosted on the cloud (Microsoft Office 365) which provides a robust and scalable solution moving forward. • Network account control has been shared with the cloud (Microsoft Azure AD). This has been set as the primary domain for network access which makes user access control more resilient to cope with council network issues. • Split tunnelling has been introduced so staff working from home can access their email (Office 365), SharePoint Online, and Microsoft Teams (for collaboration and communication) with less dependency on the council network. The bandwidth of the council's network circuits have been increased to 1GB from 500MB.	Investment in a variety of upgrades and mitigations will progressively reduce this risk. As a strategy the council is moving to Software as a Service (SaaS). For example, the Office365 components run in cloud and will still operate if 222 fails entirely. The generator connection has been delayed due to Covid-19. The Wan Transformation will update the network and reduce reliance on 222 as the Hub. Boundary services will be moved to cloud. The investment in SAN replacement and the move to cloud based backup (off tape) has been approved by CMB. As part of that approval, upgrades to the Core switches and Wi-Fi will provide resilience and support to the on-premises networking. Applications will be progressively upgraded to cloud where they are architected to be more resilient in themselves, and are not vulnerable to on-premises hardware failures.	Replacing out of data network switches **TARGET COMPLETION: Dec 2020** Move applications out of the data centre. **TARGET COMPLETION: Ongoing as per application life cycle** WAN Transformation **TARGET COMPLETION: Dec 2020** Generator connection **TARGET COMPLETION: Dec 2020** Reviewing solutions to modernize the council's data storage and data backup systems to make them both more resilient and more flexible. **TARGET COMPLETION: Ongoing**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
16	4	4	**Risk Title** Leisure Provision Closure **Risk** loss of rent and service from leisure operator (GLL) for leisure centres **Cause** the closure of leisure facilities and swimming pools as a result of Covid-19 and future financial viability of GLL as a result of loss of income. **Consequence** Financial loss to the Council – complete loss of service for residents. **Risk Trend:** 	The impact of the Covid-19 lockdown resulted in the complete closure of our leisure facilities (operated by GLL). These services were closed between 23rd March to 24th July, GLL are now implementing a phased re-opening. During the phased re-opening there remains some uncertainty around customer confidence (impact of social distancing measures) which may impact usage and business recovery. We have been working closely with GLL during lockdown to provide support and guidance (as appropriate). A mobilisation plan has been created and scrutinised. We are running an open book process (full disclosure of accounts) to inform our financial planning. GLL have provided detailed financial information, our finance team will now utilise this to conduct a financial viability assessment. External legal support has been procured and contractually, we have signed a Deed of variation for the first period of support (setting our support process). A second deed of variation is being sought to provide parties with certainty. We have appointed specialist leisure consultants to support the re-fresh of the council's Leisure Strategy.	Cross London GLL Panel – all boroughs which utilise GLL meet on a regular basis to share best approaches and insight. Sub-group of boroughs which investigates alternative arrangements if the GLL failure occurs. Regular client meetings. Formal review points agreed (performance).	Monitoring of GLL's financial position **TARGET COMPLETION:** Ongoing Financial Viability Assessment **TARGET COMPLETION:** End August New Leisure Strategy **TARGET COMPLETION:** End September

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
15	3	5	**Risk Title** Safeguarding children **Risk** Ineffective protection of children and parents **Cause** Non-compliance with procedures **Consequence** Significant harm to a child(ren) **Risk Trend**	OFSTED conducted their inspection of our Children's Services in Islington in March 2020 and rated those services as outstanding. The services for children in in need and children in need of protection were rated outstanding, our provision for care leavers and looked after children were rated as good. Our leadership and overall effectiveness were also outstanding. There continue to be robust Quality Assurance processes in place, including a twice yearly Practice Week, which is now well embedded and which gives senior managers a real experience of the quality of work on the ground and for practice to be evaluated and understood from the perspective of both staff and children and families. Areas for development identified during practice week are fed into the Quality Assurance Framework action plan. In addition there are monthly Practice and Outcomes Boards involving all relevant senior managers where performance data and information from audits and practice week are coalesced into action planning where this might be necessary. This approach to quality assurance has been praised by Ofsted in recent Inspections. Covid-19 has impacted our residents and their children, some of the key themes are: • A circa 20% reduction in referrals to social care (mainly attributable to close in schools and referrals from schools)– we are monitoring this and reviewing as we anticipate there may be a delay in demand and we perhaps may see a surge in referrals after lock-down and an increase in the severity of cases due to delayed referrals. • An increase in the number of children coming into care and more children staying in care (due to partial closure of family courts), this may result in a short term surge in our looked after population. • Increasing concerns about domestic violence • Concerns for parental mental health and the impact on young carers • Decrease in Unaccompanied Asylum Seeking Children (UASC) – this is due to large numbers of UASC being detained at Ports as part of the Covid-19 response. This delay in accessing care may lead to an increase in trauma at presentation. We reviewed the changes to legislation passed by parliament and only adopted those which were necessary.	Robust Quality Assurance processes in place. Training and development processes in place which give ongoing assurance regarding quality of work and adherence to legal framework The JTAI action plan is in place, it is multi agency and being monitored through the ISCB. The ILACs Ofsted action plan is in place All QA and monitoring processes continue to be in place. Workforce strategy in place. **Additional Controls for Covid-19** • Close liaison with family courts to ensure cases which can be heard progress to final hearing so children are afforded permanency. • Pro-active assessment of prospective adopters so there isn't a backlog of children being adopted. • Family and friends carers continue to be assessed. • Increased staffing capacity within looked after children's service to ensure quality. • Placements sufficiency strategy (additional resources in our placement team and commissioning external review). • Launching fostering recruitment strategy • Social Care grant dedicated £500k for our looked after children's and specialist foster carer schemes. • Increased mental health and clinical support in care leaving service for UASC children. Specialist UASC project officer funded by Home Office. • National safeguarding campaign for children, undertaking face to face and virtual meetings with children we know. • Our Early help services are reaching out to families.	There are 2 recommendations from the Ofsted inspection which are being progressed as part of an action plan, this will be agreed by Ofsted in July. **TARGET COMPLETION: July for agreement** QA to continue wherever possible in Covid-19 **TARGET COMPLETION:** Ongoing Data and performance monitoring changed to track more closely key data during Covid-19 **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Diversity and Inclusion **Risk** Failure to attract and retain the diverse talent we need at every level of the organisation to deliver our services **Cause** Lack of resources to deliver the required strategic approach to workforce planning Lack of engagement by some directorates in apprenticeship programmes. **Consequence** We will be unable to realise the benefits of a diverse and inclusive workforce in shaping and delivering our services. **Risk Trend** 	Fairness is a clear Council priority and this should extend to its employees. It is therefore essential that the Council leads the way on having a staffing establishment that reflects the composition of the borough's population. To that end it is determined to achieve the 'Equalities Gold Standard' which sets out clear targets for departments to meet to achieve this ambition. Although the Gender Pay Gap is positive, the BAME pay gap demonstrates that there is insufficient representation of BAME employees in the upper pay grades and in particular the top 5% of earners. The Council's Workforce Strategy outlines several actions that are in the process of being implemented. These include updating the most used policies, improving processes such as recruitment to ensure that potential obstacles to efficient and fair management can take place. Improved management information has demonstrated there are improvements to be implemented to further remove perceived barriers. Further analysis in relation to recruitment be needed in order to refine. A new Reverse Mentoring Scheme is being introduced and the provision of management development opportunities are being made available to encourage staff take up. In addition, the creation of the new Policy and Inclusion section sitting in Chief Executive's Delivery Unit will add further resource and impetuous in boosting actions to ensure that together with HR tangible results can be achieved.	The new 'Challenging Inequality Programme Board' will ensure that departments remain on course with their action plans to achieve the Equalities Gold Standard. This monthly meeting has robust governance and a clear focus. The Public Sector Equality Duty (PSED) and Gender Pay Gap reports are published nationally. Both are reported annually to the Council's Audit Committee and it is proposed that they also are presented to the Personnel Policy Scrutiny (PPS) Committee. The Workforce Strategy is also subject to six monthly reviews at PPS. The Corporate Management Board is now in receipt of quarterly HR reports including information in relation to equalities in order to monitor progress. DMTs review staff data on a monthly basis in order there is greater focus on monitoring equalities within departments.	Implementation of the workforce strategy **TARGET COMPLETION:** Ongoing Reverse mentoring scheme **TARGET COMPLETION:** Ongoing
Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Social Inequalities **Risk** Failure to challenge and address social inequalities in Islington **Cause** Poor prioritisation, lack of clear governance, and/or detailed project/programme management **Consequence** Loss of community confidence in the Council. Poor outcomes for residents. **Risk Trend:** 	Islington is a diverse borough with a proud history of championing equality for all, however there is still too big a gap between those with secure, good-quality housing and those without; between those with the confidence, networks and qualifications to seize opportunities and those who feel those opportunities are out of reach. Many problems and issues our residents face are the result of, or compounded by, inequality. Despite changes in attitudes, behaviours and beliefs, discrimination, unconscious bias, and prejudice still holds certain people or groups back and prevents them from fully participating in society. Despite social progress and the advancements of rights and freedoms there are still entrenched, systemic inequalities in our society. Numerous studies from Public Health England and others have shown that Covid-19 has had a disproportionate impact on those from Black and Asian Minority Ethnic backgrounds. Covid-19 has exacerbated the deep inequalities faced not only by the black community but also for those from other minority ethnic backgrounds Our new 'Challenging Inequality Programme' sets out how we will tackle inequality in our capacity as an employer, a strategic leader and as a service provider. The programme will consolidate the work undertaken around leadership, accountability and engagement, as well as the Covid-19 equalities action plan to form a programme which seeks to create a fairer borough for everyone, with a particular focus on race inequality. Our new Challenging Inequality Programme will provide the framework through which we will collectively work towards our ambition of being the fairest borough in London and tackle the racial injustice that still exists. Whilst race equality and responding to Covid-19 are initial priorities for the programme for the reason outlined, equally important is that we do not lose sight of our work in relation to all the other disadvantaged groups. As the programme develops we will broaden our focus to include other issues.	Challenging Inequality Programme Challenging Inequality programme board Directorate Leads Clear Programme plan - including as employer, strategic leader and as a service provider. Through the boards, will be monthly progress and review. Race Equality Staff Network	Implement and adopt the Challenging inequality Programme **TARGET COMPLEITON:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Brexit **Risk** Disruption to local/council services and supply chains. **Cause** Challenges regarding cost and availability of labour, goods and services, decrease in funding from central government following withdrawal from the European Union (No-deal or terms of deal) **Consequence** Increased cost of services, reduced quality of services, contractor or supply chain failure, civil unrest and increased cost of living for residents. **Risk Trend** 	*Brexit preparation work has been conducted under the Brexit Resilience group (BRG). The BRG had calls with the London Resilience coordinators at MHCLG and London Councils on preparations. In the run up to Brexit deadlines, the BRG provides weekly updates to MHCLG, detailing any rising concerns, this includes issues such as civil unrest, community cohesion and food bank status.* *Work has been ongoing to support and encourage staff and residents to apply for EU Settled Status including;* • *the 'We are Islington' campaign, which celebrates the positive contribution of non-UK Europeans who live and work in Islington, whilst also signposting to the settlement scheme;* • *detailed planning is in place to support vulnerable residents who will need assistance applying for the settlement scheme* • *the provision of the ID Verification Service within Registrars;* • *free legal advice in collaboration with local group 'Islington in Europe' and two local immigration law firms, to provide a number of free immigration and legal advice events for those concerned about their rights and future in the UK;* • *open information sessions across council buildings* *The inclusive economy team has engaged with small and medium businesses to ensure that they know where to get information regarding business and Brexit. A number of events were hosted at the council which have provided advice for both residents and businesses.* The above work has been paused in line with other London authorities during the lockdown period of Covid 19 to enable key services to deal with more immediate issues. The Emergency Planning Unit has tactical plans in place as part of contingency planning. Business continuity plans need to be updated to consider a no risk scenario within the context of the management of the Covid-19 position.	The BRG was working towards increasing awareness and preparedness for the outcome of Brexit prior to the Covid-19 lockdown. The BRG represents services across the council, its purpose is to assess risks and issues to the council as a consequence of Brexit and ensure that contingency plans are in place. Risk registers will be updated again with monitoring to commence in the autumn. We attend the London Resilience Group, this enables us increased oversight and discussion with other Boroughs and emergency services, providing guidance on contingency planning.	Monitor central government guidance. **TARGET COMPLETION:** Ongoing, to Monitor London Resilience Group when it resumes on this issue **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Cyber and data security **Risk** Process Control Networks and/or Critical Information Assets may be compromised **Cause** Computer-based unauthorized access or malicious modification of code **Consequence** Denial of Service, data breach, reputational damage, disruption of service(s) **Risk Trend**	Some Cyber Security activities have been impacted by the response to Covid-19. We are now actively bringing those activities back into focus. The risks and challenges encountered by the IDS response to Covid-19 have been recorded and monitored. The response to Covid-19 put pressure on the council's network due to the uptake in home working. Adaptations were quickly made to improve and ensure network access. To better secure our staff and their devices whilst working from home we plan to implement a cloud-based proxy and firewall (Zscaler) this year. Applocker, a Microsoft/Windows control has been implemented – this prevents unauthorised applications (including malware) running on laptops. We have received the Cyber Security audit report from PWC and will work through its findings. To improve the effectiveness and cohesion of Cyber Security controls across the network we will define an improved governance regime and metrics. Further a Cyber Security strategy will be developed to align our security with the IDS direction of travel to layer the security boundary on the cloud and hardness cloud based services. The technical debt on the network is still a challenge. Windows 7 PC estate is being replaced by Windows 10. Windows server 2008 will be placed under extended Microsoft support. A project is underway to upgrade the Windows server 2008 estate.	Islington council has all of the normal cyber security controls expected on an organizations network. Such as access controls, computer controls, anti-virus controls, email and web filtering, firewalls, Denial of service protection, backup controls. These controls are supported by processes such as service delivery, change control processes, technical design processes which are operated by IDS personnel. Together these manage the organizations cyber security risk. These controls are regularly monitored, tightened and improved to deal with the changing levels of threat. Additionally data (at-rest) on PC's is protected by encryption (MS BitLocker) and data exchanged between PC's WFH and the council's network is protected by VPN/TLS (in-transit) encryption.	Enterprise Resource Planning outline business case has been approved. Procurement will progress for appropriate system. **TARGET COMPLETION: 2021** Introduce (for approval) a set of Cyber Breach Exercises planned to test cyber resilience. **TARGET COMPLETION: Oct 2020** Transition to Windows 10 **TARGET COMPLETION: September 2020** Technology debt programme: **TARGET COMPLETION: Ongoing** The Cyber business continuity exercise has been deferred until after the upcoming election, this will involve turning on the emergency generator **TARGET COMPLETION: No date set – will be scheduled post Covid-19 response** **Implementation of cloud-based proxy and firewall.** **TARGET COMPLETION: September 2020**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Response and resilience **Risk** There is a risk we are not able to recover critical internal processes or respond effectively to a major incident following a disruptive event (internally/externally) within a suitable timeframe **Cause** Inadequate business continuity (BC) planning and disaster recovery **Consequence** Damage to reputation, resident safety, increased cost for response due poor planning, unacceptable response time. **Risk Trend** 	The generator project has been paused due to Covid-19 and needs to be completed as a matter of urgency to improve our resilience. The approach to the project will be reviewed in order to ensure plans are up to date and reflect the current external environment. In response to Covid-19 we quickly established our emergency command structure and activated the Borough Emergency Control Centre (BECC). This was supported by our Crisis Management Support Team and LALO's (Local Authority Liaison Officers) who took on various roles within the BECC in addition to remaining on standby to assist with our wider contingency arrangements. We have developed our pool of loggists, these loggists captured decision making during the Covid-19 response. The Covid-19 response provided an opportunity for us to test our approach to resilience planning, and provided comfort around our level of organisational response. This also provided an opportunity to test our strategic and tactical level command structures, these structures proved effective resulting in a quick and effective response. During Covid-19 there was a large fire and subsequent evacuation of an Islington council estate, our crisis response team were able to successfully respond and manage the incident, for several hours, demonstrating our resilience capabilities. Ahead of the Covid-19 pandemic Business Continuity plans were refreshed to include a pandemic scenario, this allowed services time to reflect on how best to respond and prepare Writing an exercise to test our Local Outbreak Plan to ensure our command structure and wider partnerships can be tested. We will also continue to review lessons learned from Covid-19.	Business Continuity plans are in place, however arrangements for business continuity are being reviewed to enhance our approach to resilience and improve consistency across our services. The Islington Resilience Board meet to improve the BC culture and ensure plans are completed. We are fully compliant with EP 2020 requirements We undertake lessons learned review after any incidents.	Connect the emergency generator and ensure it is fully functioning **TARGET COMPLETION: December 2020** Complete 4 BCP exercises including testing of a Cyber Attack and serious incident affecting housing stock. Priority changed to test BC against Brexit risks; this was completed with E&R, People's and Corporately with Met Police. Previous planned Cyber scenario to be moved to 2020 exercising. **TARGET COMPLETION: 2021** Review BCP template, implement changed, align with corporate risk framework and send to directorates. **TARGET COMPLETION: 2021**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Safeguarding adults **Risk** Failure to fulfil our statutory obligation to identify or respond to significant preventable harm to adults at risk of abuse **Cause** Provider Failure, Non-Compliance with procedures, inadequate IT systems. **Consequence** Risk to Individual, Reputational. Financial. **Risk Trend** 	Safeguarding themes have emerged during the lockdown period. Initially we were aware of scams and financial abuse. Once the lockdown had been enforced for a period of time we received significantly more referrals for people who were self-neglecting and for high risk domestic abuse than we had seen in the same corresponding period last year. We responded quickly to changes in legislation and practice brought by the Coronavirus Act and subsequent Care Act Easements legislation although Safeguarding Adults wasn't directly affected by the Easements legislation. We have continued to provide in-house specialist nursing support where required and remote support where it was appropriate to safeguard residents from Covid-19. Care homes in the borough have had cases of Covid-19 resulting in the sad deaths of some residents. We have worked to support the homes with accurate and timely advice and support as per guidance from Public Health England. We have also continued to offer face to face specialist input from our Care Homes Nurse Specialist and remote support from our social work teams, Deprivation of Liberty Safeguards Office and Safeguarding Adults Unit. We currently have 2 care homes in a 'provider concern' process, these providers have sustainable improvement plans in place. We continue to monitor the impact of Covid-19 on providers. Social workers and other colleagues were needing to respond to serious safeguarding concerns whilst limited in their ability to see service users and carers face to face due to guidance and restrictions imposed by Public Health England. In a rapidly changing environment we recognised that staff required additional, flexible and creative support. We ensured that we retained a very clear link between emergency policy and legislation and practice. In response to the rising number of safeguarding concerns and deaths involving rough sleepers and homeless people we are ensuring that wherever possible learning from serious cases is embedded in practice. We are also working ensure specific safeguarding concerns relating to individuals who are homeless receive a personalised offer of support in order to minimise risks	Adult Social Care and the Safeguarding Adults Board are represented at the Safer Islington Partnership, Islington Safeguarding Children's Board, MARAC Steering Group, VAWG Board, Community Safety Partnership Board and PREVENT We are working with providers to help viability. Continuous cycle of placement reviews and frequent case audits. Practitioner forums Partnership Board, this has helped us to improve our joint working and strategic decision making. Monthly Meeting with those involved in registered care settings including partners in health, CQC and Healthwatch - Early stage intervention and escalation. Quality Assurance Framework for Adult Safeguarding is being incorporated into a new department wide Quality Assurance Framework Safeguarding Adults procedure and relevant ADASS guidance. Interactive training for staff on implementing the Mental Capacity Act in practice Improving connections meetings. **Covid-19 controls** Additional support from paid advocates in care homes where their relatives usually provide advocacy, this has brought significant additional reassurance for relatives who have been unable to visit their loved ones. We have produced a range of information/ guidance for staff and are delivering video based practice clinics to support social workers undertaking safeguarding enquiries. We enhanced support for providers including having daily briefings, supplying PPE and Coordinating of Deliveraid for care home staff to receive hot meals Our training converted to video	There is Longer term ambition to source an IT solution for Mental Health recording to have one recording system for Camden and Islington councils. **TARGET COMPLETION:** Ongoing We are preparing for delivery of training for the new Liberty Protection Safeguards all relevant staff once the new Code of Practice is published. **TARGET COMPLETION:** Delayed as standards are delayed Modern Day Slavery rolling out a specialised training and guidance package for staff to ensure that staff are able to respond appropriately to concerns relating to trafficking and slavery of vulnerable groups **TARGET COMPLETION:** Ongoing Implementing Making Safeguarding Personal using a strength based approach and utilising a Trauma Informed Approach. **TARGET COMPLETION:** Ongoing

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** New Homes Programme **Risk** Delay or Inability to deliver the New Build Programme, quality, time and cost. **Cause** Resourcing, contractor failure, delay in planning approval, poor resident engagement. **Consequence** Reputational damage, service delivery. Loss of opportunity for residents **Risk Trend**	Our construction sites suspended work in March 2020 in response to Covid-19, however all sites are now re-open. Sites are operating with reduced numbers of operatives (in-line with government guidance). Around 8 weeks of construction were lost during shutdown. Supply chains also shut during the peak on pandemic, some European supply chains were however maintained, this has resulted in increased lead times for some orders. This in combination with the reduced capacity will impact the progress of construction across the programme for a considerable period. We are monitoring financial forecasts and reviewing the position of the residential sales markets, we are about to launch the digital sale of one project and will monitor. We have not experienced any main contractor failures during Covid-19. We are monitoring supply chains and contractors as we go forward as the impact of Covid-19 emerges. We are unable to hold physical consultation events currently due to social distancing requirements therefore have reviewed the Council's legal obligation and policy approach to consultation and developed an updated policy approach for use whilst social distancing controls remain in effect to ensure that residents are meaningfully engaged and that the Council fulfils its statutory obligations in relation to consultation. This includes additional timescales for survey and response to printed distributed material and the use of digital engagement platforms (zoom). Residents will be asked to provide demographic information and feedback to ensure that we assess the suitability of this approach and respond.	Employed a communications officer to improve resident engagement. Engaged a team of architects to review opportunities for building, reviewing different building techniques. Programme Board (NHB) Chaired by Cllr Ward, provide challenge and oversight. Reporting improved to provide better oversight (strategic information). Quality, schedule, cost. Meet bi-monthly. Programme structure includes contingency. Project Board, Operational focus review all schemes, meet bi-monthly **Communications strategy** Additional controls are being put in place to monitor the effectiveness of engagement during the Covid-19 pandemic **Covid-19** Regular contact with contractors and review of their response to approved industry guidelines for construction during Covid-19 (CLC SOP v.4) Working with employers agents to understand industry trends. Checking environmental impacts of constructions for those who are shielding.	Restructure approved and following a short pause to assess Covid-19 impact, is now being implemented. In advance of PMO recruitment and establishment operational management of New Homes Project Board (NHPB) in redesign to be consistent with delivery assurance officer group approach in emerging corporate property governance framework. The implementation of this has been delayed by approximately one quarter **TARGET COMPLETION**: **Established over 2020/2021** Monitoring impact of delay on completions across the programme – **TARGET COMPLETION: Ongoing** Reviewing options to provide temporary storage for supplies to increase robustness of supply chains **TARGET COMPLETION: Ongoing** Exploring predictably costed housing – to reduce costing across the programme through use of fully modular and hybrid systems **TARGET COMPLETION: Ongoing**

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Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Social Care Market Instability **Risk** Significant provider failure/ withdrawal of providers **Cause** Financial strains causing providers to withdraw from the market **Consequence** Safeguarding risks to individuals, Financial. **Risk Trend** 	During 2019 we experienced the withdrawal of one of our block providers, the provider cited financial viability as the cause. This led to the need to find new providers for affected care users which was successfully achieved. The Covid-19 pandemic has prompted a range of additional actions (some flagged within the safeguarding section) designed to support and work more closely with our Islington providers. .Although our older adults care market is small and consists mainly of larger providers organisations, we have established a strong partnership with them to ensure any financial risk to viability is flagged early and worked on together. Additional pots of funding have helped to maintain support for both staffing and PPE at a time of significant increased demand. We currently have 2 care homes in a 'provider concern' process, these providers have sustainable improvement plans in place. We also host a monthly partnership meeting that reviews quality issues and concerns in registered care providers in order to enable us to nip concerns in the bud, work with providers on early solutions that mitigate risks and ensure prevention of harm to our service users and carers wherever possible. Covid-19 has ignited the national debate about the uncertainty of long term funding for social care, whilst the risk of a no deal Brexit remains a real possibility. We continue to monitor the impact of Covid-19 on providers.	We are working with the provider market to ensure as wide a range of providers as possible to reduce the risk of adverse impact if providers withdraw from the market, this has seen a significant increase in spot providers, particularly in the domiciliary care market. . We have regular provider forums and have increased opportunity to have 1:1 discussions with providers during the Covid-19 pandemic so concerns and risks can be addressed quickly. We have regular RADAR meeting with the wider health and social care MDT and CQC which enable us to share intelligence about providers and respond quickly and collectively. We have contingency plans in place to manage either provider failure or provider withdrawal from the market. These plans have been implemented on two occasions and the transfer of care has been safe and successful on both occasions. We are currently reviewing our existing model of homecare with a view to developing a new, more sustainable local offer that could improve quality for both recipients of care and paid carers. There are a number of workforce initiatives underway across Islington and North Central London to promote social care careers and workforce development.	Monitoring of the local and national provider market **TARGET COMPLETION: Ongoing** Regular review of contingency plans-every three months **TARGET COMPLETION:ONGOING** Collaboration across North Central London with local authority and NHS colleagues to support the social care market and workforce. **TARGET COMPLETION: ONGOING**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Compounded pupil attainment gap **Risk** The attainment of pupils may disproportionately reduce as a result of Covid-19 measures. **Cause** Covid-19 restrictions and adaptations in place in schools exacerbate the differential access to education for different socio-economic groups, in access to technology, reduced contact to assess progress or barriers to learning. **Consequence** Pupils may not achieve their full academic potential (potential for a greater impact on vulnerable pupil's educational outcomes), leading to difficulty re-engaging students in the longer term. **Risk Trend:** 	At the outset, the concern that lock down measures could disproportionately affect some groups in relation to attainment, was identified as a key risk. Also that in the short and long term socio economic factors could further compound this risk as families come under increasing pressure. This risk is compounded further by inequalities that exist for some families in accessing remote learning and home learning materials, because they do not have IT equipment or connectivity. This digital inequality was identified as a key risk factor. Equally it is known that attending school is a factor in safeguarding children and young people. The risk that without a detailed Back to School plan there could be further compounding of disadvantage in the Autumn term 20120 and that this needed to be underpinned by an effective Digital inclusion policy. A clear framework for communication with Head teachers and governors was needed to secure the delivery of controls was need and this is now secure.	All schools have remained open for vulnerable children and key workers throughout the lockdown period. Attendance has been above national comparators where they are available – the number of vulnerable children increased week on week. From the 2nd of June schools reopened for specified groups –attendance has increased day on day and informal feedback from the Department for Education suggests that attendance of these groups is in line with or above the national picture . Improving access to IT equipment began straight away and this has remained a priority identifying funding both within the Council and externally. A rigorous Strategy for Digital Inclusion is being developed based on a survey carried out with schools. A comprehensive programme of summer learning materials/activities are available, accessed through the Home Learning Page. A Recovery Curriculum including enrichment has been put in place schools have undertaken risk assessments to manage the safe return. . Work is underway to ensure that the 'Catch Up' programme in September is appropriately targeted and has the greatest impact on potentially underachieving groups. Work has been done with Headteachers and Governors to build parental confidence in the safe return to school in September. Headteachers are actively targeting the vulnerable to encourage them to access the summer offer.	In the event of further partial or full closure school due to a spike in cases alternative learning plans are being put in place. This includes work being undertaken to secure Digital Inclusion. **TARGET COMPLETION:** September 2020

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Contract Management **Risk** Significant contractor failure/contractors failing to deliver within the agreed parameters (Quality, cost, schedule & social value) **Cause** Ineffective/Non-compliance with corporate contract management procedure and/or contractual terms **Consequence** Service disruption, reduced quality of service, additional financial burden, reduced social value **Risk Trend**	Central resources have been identified as insufficient to provide an effective corporate support function to departmental contract managers, many of whom have little or no experience in contract management or commercial skills training. Lack of central support risks value for money, delivery of key Council aspirations and social value, effecting the corporate drive for value for money and Community Wealth Building. Initial training has been delivered but contract management is heavily devolved, making it difficult to fully imbed with one-off training. Contract managers have sought support on a range of matters from ensuring delivery, finance and achieving corporate aspirations. Subsequent training has been commissioned. A proposal for a new Supply Relationships and Assurance function (replacing originally named Strategic Contract Management and Contract Assurance) has been proposed, but current funding levels are insufficient for delivery. The central function is deemed essential to reduce waste and inefficiency, and a loss of tight control also risks delivery of social value asks. Contractor failures have occurred – some before Covid-19, particularly in social care. During Covid-19 central government issued Procurement Policy Notes and the Council produced a detailed guidance note for contract managers including options around payment mechanism flexibility. A number of providers have indicated financial difficulties from leisure to construction. During the Covid-19 pandemic, lots of contract changes were done at pace within services, with likely varying levels of quality and oversight. Recent informal analysis of data suggests that not all contracts or variations to contracts have been properly recorded as per Constitutional requirements. An incomplete picture places the Council in breach of proper transparency requirements and risks economy, efficiency and effectiveness of service provision, reduces opportunities to highlight duplication and impacts the possibility for overall Council effective planning.	Whilst guidance exists there is a strong need for this to be under constant review and improvement, particularly in line with new corporate aspirations post Covid-19 recovery. Commissioning and Procurement Board for overarching direction and Supply Chain Practitioners Group for knowledge sharing are still present, but have been impacted by Covid-19. Training has been commissioned, but the roll-out has been impacted by Covid-19 and needs reviewing for content and means of delivery.	Urgent review and implementation of an effective and properly funded Supply Relationship and Assurance service to work with internal officers and external providers and partners needed. In particular, new capacity is required to ensure the Council polices and ensures delivery of providers' social value commitments. Alternative and expanded training content and means of delivery for that content required. Review of contracts overall as part of category management, the current savings targets of the Council and work plan of Commissioning and Procurement Board is required. Implementation of a new and agreed Progressive Procurement Strategy 2020/25, setting out aspirations for Community Wealth Building and Social Value throughout the supply chain practice required. **TARGET FOR COMPLETION:** Commenced by December 2020.

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	3	4	**Risk Title** Health and Social Care Integration **Risk** Insufficient capacity, resource and integration within the local health and care system to meet resident's needs. **Cause** National and local funding constraints Differing priorities of key partners, including a new 5 borough commissioning approach and governance for the NHS **Consequence** Poor health and care outcomes for residents **Risk Trend**	The move to 5 borough commissioning for the NHS, especially in the context of a very significant financial deficit across the North Central London region, could pose a risk to our local financial and strategic collaboration Including the Better Care Fund (BCF) we currently have pooled budgets across the Islington Health and Care system of circa £88million of which around 40% comes from the NHS. Our aspiration is too increase integration locally because we know that it will improve resident experience and outcomes. Our collective aspiration across the health and social care system is also to invest more of our combined resource in early intervention and prevention but we also know that this will require disinvestment elsewhere such as more specialist services. .As a result of austerity and rising demand both the NHS and social care already have challenging savings programmes with significant savings projected over the next 3 years. The COVID-19 Pandemic has taken much of the focus over the last 4 months which has enabled very different styles of joint working to be established. Stronger partnerships have emerged which have seen cross agency working that has promoted prevention and early intervention as a theme. Effective care and support to Islington residents has been evident from hospital discharge through to primary care and support in individuals own homes – better integration and coordination has been a key feature of this work.	Health & Wellbeing Board, via the Leader of the Council is required to sign off our annual BCF plans with the NHS Quarterly Section 75 meetings at Service Director level provide joint governance oversight of our pooled budgets Annual Section 75 reports to the Health & Wellbeing Board provide strategic governance over our pooled budgets The emerging Fairer Together Partnership will provide a clearer and more effective governance framework for integration locally including more shared and local decision making around our local resource. The recently established Fairer Together Borough Board is proving to be an effective forum for establishing vision, working principles and a plan of action across the Islington footprint.	We will continue to work with NCL CCG to ensure the Council voice and influence in the 5 borough Integrated Care System (ICS); **TARGET COMPLETION: Ongoing**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
12	4	3	**Risk Title** Serious information breach or non-compliance with legislation **Risk** The Council does not keep sensitive and/or personally identifiable information secure **Cause** Non-compliance with policy and procedures **Consequence** Fine, Reputational Damage **Risk Trend**	Since the last update the IG Team have continued to ensure that the council remains compliant with legislation, a number of activities have been undertaken since the last update which include: • Data Protection Impact Assessment Template has been issued to staff and is now in use. • A joint Cyber and Data Protection awareness campaign was run in December to remind staff the importance of protecting themselves. • Review of escalation processes for FOIs and SARs whilst taking proactive action to support Directorates where compliance has slipped. • Review of the IG Strategy and identified actions, to develop an updated work plan for the year. • Review of the IG Working Group to ensure that this is adding value. • Updating the retention schedule (ongoing). • Provided support on a number of corporate systems that needed to be in place quickly to support the work around Covid-19 (Zoom, MS Teams, We Are Islington) • Ensured that advice was provided quickly, efficiently and accurately around the sharing of data to support the council's response for residents during the Covid-19 pandemic. • Created an addendum to the corporate Privacy Notice to ensure that how we were using data during the pandemic was made clear to residents. The IG Team were very busy in the early days of lockdown due to the change in working arrangements for staff and the need to ensure that data was shared in a timely manner where required. This had an impact on our priorities and saw a shift in focus. As we enter a more 'stable' time, the work previously identified is now being worked on again. Since the last report the council has reported one incident to the Information Commissioner's Office. The ICO have closed this case with no further action. They were satisfied that the council had taken swift action to manage the incident, that the corporate policies were followed and that the incident as a result of human error.	There has been some change to the controls, which is a combination of change in SIRO and the impact that Covid-19 initially had on working arrangements: Training was initially suspended both class-room training and metacompliance pop-up modules. The IG Team are in the process of considering how to deliver class-room training to comply with social distancing and it's likely that online courses will be provided. The IG Team will be issuing metacompliance modules to all staff in July to remind them of the importance of keeping data secure, particularly whilst working arrangements are so different. The IG Team are working with the provider of the Information Asset Owner training regarding an online course. The new SIRO formally started on 20 April 2020. There have been two meetings with him to outline the role of the SIRO and the work that the IG Team are undertaking. Due to Covid-19, the SIRO course had been cancelled (external course) and a meeting is scheduled on 17 July to review the key actions for the IG Team and discuss the future of the Corporate Governance Group. The Corporate Governance Group is in place to ensure that the SIRO receives assurance that the council is managing all information risks and complying with legislation. The Group also reviews any new risks to compliance – both DP and FOIA. A review of the IG Working Group is currently underway. This has been in place for over 18 months and has not quite fulfilled the role we had expected. We are trying to identify a way of making this more beneficial for those that attend as well as the IG Team to ensure that we are receiving the assurance that's required.	The Retention schedule continues to be reviewed although timescales have now slipped due to the impact that Covid-19 had on work. The deadline for this is October 2020. Information Security and Cyber Training – this is JC's rather than mine, but I am aware that work is underway to get something in place. Mock ICO audit is booked for Q4 Monitoring of ICO guidance – is ongoing Timeliness of FOIs and SARs – this continues to be monitored and we did not meet the target in April. Covid-19 had an impact on this – compliance is increasing and we continue to actively monitor this. The council is no longer being monitored by the ICO. Embedding of the accountability principle – this continues and is due to step up the delivery pace, work was paused on this due to Covid-19 as priorities were shifted elsewhere. This work is crucial to ensuring the council becomes more mature in its management of data.

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
10	2	5	**Risk Title** Serious H&S incident in housing **Risk** Serious Health and Safety incident in the council's housing stock **Cause** Non-compliance with statutory duties /regulations **Consequence** Multiple fatalities **Risk Trend**	The Homes & Estates Safety Board continues to meet quarterly to provide challenge and assurance that our measures and systems are robust. We are continuing to work closely with the London Fire Brigade to develop easy-to-access and data-secure information systems identifying residents who would be vulnerable in the event of fire and to include this in premises information boxes (PIBs) as appropriate. We continue to undertake works to comply with fire safety regulations and deliver our fire safety action plan. Front door upgrades and replacements have been paused during lockdown but we are looking to restart as soon as possible. Contracts for installation of inter-linked alarms in street properties have been mobilised, pilots have been completed and discussions with Building Control are ongoing. Expanded Polystyrene (EPS) insulation removed from Fyfield, and replacement works completed. All High Pressure Laminate (HPL) cladding has been tested and confirmed to meet building regulations. Installation of new wet rising main at Michael Cliffe House is underway and work continues to programme. Access for Gas Safety checks has been challenging during lockdown, this has impacted gas compliance rates.	Homes & Estates Safety Board provide challenge. Ongoing delivery of Fire Safety Action Plan Ongoing Fire Risk Assessment programme, with annual cycle for tall buildings with 'tolerable' rating (rather than every 3 years as per regulations – commitment given post-Grenfell). Fire Risk Assessments for all 126 tall blocks have been completed and published online for transparency. Front door upgrade/replacement programme underway. Liaison with the Ministry of Housing, Communities and Local Government (MHCLG) and London Councils on emerging resident safety issues. Housing Directors Fire Safety Sub-Group – monthly meeting to review actions, include senior staff from the London Fire Brigade (LFB) and MHCLG. Cyclical testing for electrical, lightning, legionella and construction risks remains on track. Responsive testing service for asbestos containing materials (ACMs) in place.	Liaison with LFB and MHCLG to ensure we are on top of emerging issues. **TARGET COMPLETION: Ongoing** Monitor develop of Hackitt review consultations and Grenfell Inquiry recommendations and respond as appropriate. **TARGET COMPLETION: Ongoing** Inter-linked alarms in street properties – 2 contractors, each have completed a pilot property. Contractors being instructed, we are developing a risk based programme. **TARGET COMPLETION: Completion in June 2022**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
10	2	5	**Risk Title** Health and safety **Risk** Significant Health and Safety Incident **Cause** Non-compliance with policies or procedures **Consequence** Life-changing injury, fatality, compromising the safety and wellbeing of service users, public or the workforce, potential enforcement action. **Risk Trend**	Employees with complex needs - We have conducted an observed fire drill, this exercise had satisfactory results. Occupational Health and Safety Management System documents have been reviewed and will be considered by the Corporate Management Board in conjunction with the Health and Safety Policy. British Safety Council (BSC) Audit action plan continues to be implemented and monitored. Review of the Alcohol, Drug and Substance Misuse Policy has been completed and is awaiting final sign-off from the Trade Unions. We have developed Risk Assessment templates covering buildings, job functions/roles and individual staff to assist building controllers, service managers and staff to assess specific risks during the pandemic. Many staff have been working from home during lockdown. Modifications have been made to buildings in order to ensure they are Covid-19 secure. PPE has been provided to staff as appropriate.	Regular auditing of schools continues. With-cause drug and alcohol testing has continued; random testing for council employees and agency workers in safety critical roles will resume once revised policy is signed off. Annual reviews of Corporate policy, regular review of other Health and Safety policies. Health and Safety training included in corporate induction. Annual report to CMB Schools which have a service level agreement with People Directorate are supported by corporate health and safety and regularly audited Staff Briefings around working arrangements during the pandemic (Communication campaign).	Implementation of Action Plan arising from BSC Audit. **TARGET COMPLETION: Ongoing** Review Asbestos database IT system. **TARGET COMPLETION: July 2020** Health and Safety policy to be reviewed and presented to CMB **TARGET COMPLETION: July 2020** Annual health and safety performance report to CMB. **TARGET COMPLETION: annually** Design & Technology audit in secondary schools to be commissioned for the next academic year **TARGET COMPLETION: July 2020.** Improvements to the on-boarding process need to be discussed with HR and implemented. **TARGET COMPLETION: Ongoing** Drug and alcohol policy review **TARGET COMPLETION: June 2020**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	**Risk Title** Domestic Violence Abuse **Risk** There is a significant increase in Domestic Violence Abuse Assaults **Cause** Lockdown conditions causing increased tensions, accessibility to early intervention, economic slowdown resulting in increase in poverty and tensions within homes. **Consequence** Serious harm to individuals and families **Risk Trend**	Violence against Women and Girls (VAWG) has a devastating impact on victims/survivors, children, families and the wider community, Islington experiences very high levels of domestic violence and abuse. In Islington here were 30,837 Domestic Abuse (DA) offences recorded by the Metropolitan Police in 19/20 (compared to 30,470 in 18/19). 80% of Children Social Care cases in Islington involve DA. Local VAWG services and the DA MARAC are seeing increasing numbers of high risk victim/survivors affected by multiple disadvantage around issues such as homelessness, mental health and substance misuse. In 2018 council research found that DA was present in the childhood of 100% of the 25 most concerning young people in Islington YOS. Islington's VAWG Strategy 2017 – 2021 sets out the partnership's approach to redouble the commitment to intervene as early as possible to support survivors, children and families to stay safe, report crimes and rebuild their lives. A number of new initiatives have launched including the Keel Multi agency team working with families affected by VAWG (2019-20), housing's work to achieve DAHA accreditation, and the Islington Say No More campaign launched in November 2019. Islington's commissioned VAWG services including Solace and Samira engaged with 1200+ victims/survivors in 2019-20 and several hundred practitioners participated in VAWG training delivered by the IRIS project, Islington Says No More, ISCB and FGM training. **The Impact of Covid-19** Domestic Abuse was expected to increase 20% globally during lock down (UN Population Fund). Nationally, Domestic Abuse killings doubled since the Covid-19 lockdown. There were at least 19 killings of women by men in the UK between 23 March and 22 April, including the killing of children. However Islington did not see the expected rise in DA and reports to the police during the first two months of lock down remained at the same level as the previous year, although there has been an increase since the easing of lock down measures. Islington also did not see an increase in requests for emergency housing linked to DA but DA services became very busy with a doubling of contacts to the Solace Advice line. The council and partners met regularly to monitor the situation throughout the Covid-19 period and provide a coordinated response. A number of robust Covid-19 contingency measures were quickly established and our services continued to offer flexible support to victims and survivors throughout lock down.	In February 2020 we announced £2 million of funding over the next 3 years in tackling VAWG to transform the council's offer, bolstering existing services, extending their reach. This is geared towards prevention and early intervention to break cycles of violence. The funding is being used to increase VAWG service provision in Islington including • Recruit more (IDVAs) to work in mental health, maternity ward, A&E, children's social care, housing and BAME services • Continue the Identification and Referral to Improve Safety (IRIS) • Sustain the Keel counselling service for DA victims and witnesses • Develop a new multi-agency Intimate partner Violence Service • Raise awareness and improve response to all types of VAWG through a comprehensive workforce development programme building on Keel project • Provide phones to victims/survivors reporting DA and to survivors • Establish a Daily Domestic Violence and Abuse Safeguarding Meeting **Covid-19 contingency measures** Provided welfare grants to victim/survivors who faced additional financial pressures. The police's safeguarding teams in Islington worked closely with the council to ensure the safety of those experiencing DA and their children. A borough wide communications campaign to bring VAWG services to the attention of residents and other stakeholders. Housing services campaign to promote the support available to residents and all housing officers in the borough are trained to support tenants experiencing	Delivery of the VAWG Service transformation **TARGET COMPLETION:** Ongoing Keel Legacy; A comprehensive action plan to sustain the learning and good practice from the Keel project that successfully tested a new approach to working with families experiencing DA in 2019-20. The evaluation of the Keel by the University of Bedfordshire and the council internal evaluation has identified a number of priorities and actions that are being implemented over the next few years. **TARGET COMPLETION:** Ongoing VAWG Strategy Refresh The current strategy ends in 2021 so work is underway to develop a new VAWG Strategy for Islington **TARGET COMPLETION:** Launch 2021

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	**Risk Title** Change Programme Delivery **Risk** Failure to implement a robust governance mechanism to support delivery of strategic ambitions. **Cause** Capacity, financial challenge, governance, project management, Covid-19 **Consequence** Change activity faces delay, declining quality and cost escalation, financial/other benefits are not met in full. **Risk Trend**	Delivery of our strategic ambitions will be managed through our Corporate Delivery framework, which sits under the Strategy & Change service (Chief Execs). This includes the council's PMO. The Corporate Delivery framework is established, with directors taking responsibility for the delivery of change and transformation within their own directorates through a monthly Directorate Delivery Board. This feeds into a Corporate Delivery Board to enable oversight and review for the Chief Exec. The controls in place for project and programme management are starting to highlight areas of concern across strategic projects and programmes (including MTFS savings), allowing for controls to be applied as appropriate. All agreed savings have been reviewed by Corporate Directors and re-profiled to reflect latest expected delivery milestones. In a couple of cases, savings have been decreased and added to the budget gap because the original agreed saving was considered unrealistic The total value of savings at risk of non-delivery (i.e. Red rated) has decreased since the previous update, hence the decreasing trend. However, there remains significant risk around the delivery of the agreed savings programme with around 10% currently Red rated and around two-thirds either Red or Amber rated. A further development has been the integration of the savings tracker with the monthly budget monitoring and reporting process. This is coordinated through the Heads of Finance for each directorate, and a reconciliation of all changes is maintained by Financial Planning. Alongside this, there is a more joined-up approach between finance and the Corporate Delivery Board. Covid-19 is currently not expected to have a significant direct impact on in-year savings delivery. However, the medium-term outlook is very uncertain and possible impacts include delays to commercial property income savings.	A PMO toolkit has been set up on the website to enable consistency in reporting and assurance. The last DMT of the month is now Directorate Delivery Board (DDB), focusing on key change programme delivery and directorate performance. The first CMB of the month is now Corporate Delivery Board (CDB), focusing on strategic change programme delivery and corporate performance. Bi-monthly, a new Delivery Executive forum enables discussion and Member assurance on change programme delivery and performance. This is attended by the Leader, Cllr Gill, Chief Executive, Director of Strategy and Change, Director of Resources and Head of Corporate Delivery. Updating of savings tracker and escalation of issues/changes as part of the monthly budget monitoring and reporting process to CMB, the Executive and the Policy and Performance Scrutiny (PPS) Committee.	Review and enhance the role of delivery executive **TARGET COMPLETION: July 2020** Finalise corporate delivery framework to identify scope to establish a more agile and focused model, to include a consistent approach for managing projects falling outside of the PDB process **TARGET COMPLETION: July 2020** Undertake an audit of PMO to ensure effective processes and procedures in risk management and assurance **TARGET COMPLETION: DECEMBER 2020** Updated one-page business cases, where not already available, to support every saving on savings tracker **TARGET COMPLETION: September 2020**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	**Risk Title** Savings Delivery **Risk** Failure to deliver agreed budget savings **Cause** Capacity, project management, governance, flaws in original business case **Consequence** Financial/other benefits delayed or not achieve, in part or in full. **Risk Trend** ⟷	The council's medium-term financial strategy (MTFS) is based on the realisation of a number of savings proposals. Corporate Directors are responsible for the delivery of change and savings within their own directorates. All agreed savings have been reviewed by Corporate Directors and re-profiled to reflect latest expected delivery milestones. In a couple of cases, savings have been decreased and added to the budget gap because the original agreed saving was considered unrealistic The total value of savings at risk of non-delivery (i.e. Red rated) has decreased since the previous update, hence the decreasing trend. However, there remains significant risk around the delivery of the agreed savings programme with around 10% currently Red rated and around two-thirds either Red or Amber rated. A further development has been the integration of the savings tracker with the monthly budget monitoring and reporting process. This is coordinated through the Heads of Finance for each directorate, and a reconciliation of all changes is maintained by Financial Planning. Alongside this, there is a more joined-up approach between finance and the PMO. Covid-19 is currently not expected to have a significant direct impact on in-year savings delivery. However, the medium-term outlook is very uncertain and possible impacts include delays to commercial property income savings.	Updating of savings tracker and escalation of issues/changes as part of the monthly budget monitoring and reporting process to CMB, the Executive and the Policy and Performance Scrutiny (PPS) Committee. The new Corporate Delivery Board meets monthly and focuses on delivery and performance issues, including risks around savings delivery. Each key programme or project is monitored at the appropriate level, be it DMT for departmental initiatives or the relevant board for cross-cutting initiatives.	Updated one-page business cases, where not already available, to support every saving on savings tracker **TARGET COMPLETION: September 2020** Robust multi-disciplinary assurance process for agreeing budgets savings (replacing previous Design and Compliance group) **TARGET COMPLETION: December 2020** Continued embedment of the new Corporate Delivery Board **TARGET COMPLETION: Ongoing**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
9	3	3	**Risk Title** IT delivery and transformation **Risk** We do not deliver IT projects which will enable/optimise business transformation across the Council **Cause** Insufficient planning/resourcing/funding to deliver the IT strategy. **Consequence** Operation disruption, additional cost, reputational damage **Risk Trend**	In light of Covid-19 our systems were reviewed and quickly reconfigured to improve resilience to support a significant increase in the number of staff working from home. The impact on the implementation of our projects has been variable, some projects have been paused and some funding withdrawn to allow focus on the Covid-19 response, however some project timeframes have escalated to support the Covid-19 response. Our technology road map will be reviewed post-Covid-19 to ensure it supports the organisation in the best way. Our Enterprise planning group is in place and undertaking forward planning. CMB have approved a 7 figure investment in infrastructure remediation and other upgrades to support the Covid-19 response.	The current controls include the ongoing use of the Information Technology Infrastructure Library (ITIL) service delivery framework to ensure operational services are effective in maintaining the current platforms on which we need to build. In addition, the interim organisational structure (established following the Shared Digital separation) has grouped IT the project managers into a new practice in which more formalised project disciplines have been introduced. This group is sharing the same processes, tools and methodologies as the central PMO to create greater transparency and control. New telephone exchange	Migration to Windows 10 New PC's **TARGET COMPLETION: September 2020** Replacing out of data network switches **TARGET COMPLETION: Dec 2020** Windows 2008 migration programme **TARGET COMPLETION: Nov 2020** Move applications out of the data centre. **TARGET COMPLETION: Ongoing as per application life cycle** Submit our PSN and PCI compliances for SIRO review and sign off. **TARGET COMPLETION: September 2020**

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Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
8	2	4	**Risk Title** Capital Programme **Risk** Failure to adequately manage (cost/schedule) capital programmes **Cause** Inadequate governance and project management **Consequence** Financial Loss, breach of governance/regulation, reputational damage **Risk Trend:** 	Across the Council we have a number of projects which require capital investment in order to achieve their key outcomes. These projects are varied in nature and are funded by different means (including the general fund and schools money). The total capital investment budget for 2020/21 to 2002/23 is £479m. This investment will fund new homes, infrastructure development and some new funding has been set aside for three types of capital projects; new projects, in-flight projects and projects with back maintenance. A new approach to governance of the capital programme is in place, it includes the establishment of new processes and the establishment of new Boards to provide oversight. The Major Projects Board will consider and approve the gateway zero recommendations (subject to Corporate Asset development Board review and any formal approvals) and for in-flight schemes (including those currently live) it will receive periodic updates from the delivery lead and make all material recommendations relating to the scheme's progress (subject to formal approvals) A similar process will operate for third party schemes, adjusted to reflect the Council's decision-making requirements All other capital schemes will be managed through Directorate Delivery Boards or the Housing Delivery Board The Housing Delivery Board may wish to receive reports on MPB schemes with major residential components to ensure it retains oversight of new homes targets Corporate Directors will periodically update the Corporate Delivery Board on directorate level capital programmes, and the Programme Director Community Wealth Building will do similarly for MPB schemes This scheme of governance has enhanced the effectiveness of our controls in monitoring schemes but also act as a gateway to identifying potential schemes with high risk and therefore recommending that they do not progress onto the capital programme.	Major Projects Board Corporate Asset Delivery Board A common set of project level and programme/directorate level reporting will be implemented to ensure consistency and robust delivery tracking	A common set of project level and programme/directorate level reporting will be implemented **TARGET COMPLETION: September 2020**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
8	4	2	**Risk Title** Serious Fraudulent Activity **Risk** Serious Fraud or corruption **Cause** Lack of adequate governance arrangements including key controls and robust fraud awareness **Consequence** Financial and Reputational damage. **Risk Trend**	**Business as usual including training** - Internal Audit (Investigations) have undertaken a number of reactive fraud investigations and continue to work with services to investigate fraud. - Fraud training has been developed by HR however rollout and refresh has been paused due to Covid-19. - There has been no further test activity with the CIPFA Counter Fraud Hub since our last report. **Covid-19** The Council's Covid-19 response saw an increased use of purchase cards as well as relief measures such as payments of grants. Our fraud resource provide control advice where applicable. We provided information and support to those areas with a potential for Covid-19 related fraud, providing guidance papers and advice, for example our purchase card and Revenue streams. **Whistleblowing** -Whistleblowing work continued on both existing and new cases; - A revised whistleblowing policy was taken to Audit Committee in May 2020. .	A robust Anti-Fraud strategy and whistleblowing policy (updated May 2020) are in place. Regular reporting to Audit Committee takes place including bi-annual whistleblowing monitoring reports and an annual fraud report. Internal Audit and Corporate Investigations work closely ensuring that intelligence is shared to support the identification of fraud risks. Internal Audit and Investigations also work jointly on some investigations to ensure that Internal Audit are able to make recommendations to enhance controls and prevent the recurrence of fraud. Fraud risks feed into the annual Audit Plan. Delivery of the Audit Plan ensures that recommendations are made to address control weaknesses. Review of governance arrangements during individual audits routinely include a review of policies and procedures. Corporate Investigations stay abreast of fraud alerts and fraud risks. **Covid 19** During the Covid-19 emergency and the immediate response that followed, Internal Audit (Investigations) provided antifraud advice (including where the Council was delivering new Covid-19 related services or providing financial assistance/relief packages), to ensure that robust controls and fraud prevention measures were in place. Advice was provided in the following areas: • Payment of Covid-19 related grants, • Emergency use of the Council's purchase cards for Covid-19 related expenditure. During the Covid-19 emergency period, Internal Audit Investigations continued to deliver reactive investigation work	**Covid 19** Continue to consider anti-fraud measures for relief payments and other risks emanating from Covid 19 **TARGET COMPLETION: Ongoing** **Resourcing** Review the resourcing of the Corporate Investigations with a view to increasing resource to improve our ability to pro-actively investigate potential fraud. **TARGET COMPLETION: Autumn 2020** Review the positioning and resourcing of investigations (including the whistleblowing caseload and the impact on the shared Internal Audit service workload): **TARGET COMPLETION: Autumn 2020** **Training and networking** Refresh work on completion of fraud training. **TARGET COMPLETION: Autumn 2020 (HR leading)** A review of the continuing role of the Fraud Forum needs to be undertaken. **TARGET COMPLETION: December 2020**

Risk Score	L	I	Risk	Activity Highlights	Summary of Controls	Actions and potential future controls
6	3	2	**Risk Title** Well managed workforce **Risk** Failure to successfully manage our workforce to deliver corporate priorities (including recruitment and retention) **Cause** Lack of management experience/ability to manage performance effectively through a focus on outcomes, absence of a performance management system Increase in remote working. **Consequence** Workforce may not be engaged, delivering its full potential, impacting service delivery. **Risk Trend:**	As a result of Covid-19 the majority of Council staff are now working from home more regularly, this may in some cases lead to a reduction in engagement in the absence of pro-active management. The working from home requirement may also impact new starters who have been unable to meet their new teams and engage face to face with their managers. We have been conducting regular pulse surveys introduced - Wellbeing survey #3 sought assessment by staff and managers of management skill levels across a range of competencies Managers conferences in July 2020 to set out C Executive/Leadership expectations, engaging managers in performance improvement and identify support requirements for managers (policy, guidance, training, HR support) Face to face training programme paused as a result of Covid-19. Webinars have now begun.	Managers Conferences in July 2020 to focus on performance and identify areas for development Wellbeing survey June 2020 to identify management skills/areas for development for future development planning Chief Executive management communications. HR Policies streamlined and simplified	Management skills development programme **TARGET COMPLETION:** March 2021 Review of performance management and probation procedure **Target Completion:** tbc Procurement and implementation of combined learning management and performance management system **TARGET COMPLETION** March 2021

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ISLINGTON

Resources Department
7 Newington
Barrow Way
London
N7 7EP

Report of: **Acting Director of Law and Governance**

Meeting of	**Date**	**Ward(s)**
Audit Committee	29 September 2020	All

Delete as appropriate	~~**Exempt**~~	**Non-exempt**

Subject: ANNUAL REPORT ON STANDARDS AND MEMBER CONDUCT

1. Synopsis

In accordance with the Audit Committee Terms of Reference, the Monitoring Officer is required to submit to the committee an annual report concerning standards of member conduct, including a summary of complaints received under the Code of Conduct Complaints Procedure and their outcome. The complaints received in the municipal year 2019-20 are detailed below. This report also includes information on member training and development and declarations of interest.

2. Recommendation

2.1 To note the contents of the report.

3. Details

3.1 **Member Training and Development**

3.2 The Member Development programme initiated following the Local Government elections on 3 May 2018 continued, with in-house training provided on the Equalities and the Human Rights Act, an Induction refresher and Children's Safeguarding. Make Every

Contact Count (MECC) training was cancelled due to the election called on 1 December 2019. The MECC training to be rescheduled during early 2020 and was cancelled again due to the Covid 19 outbreak. It has been carried forward into the current year's programme and may be delivered virtually.

3.3 The suite of documents for members, made available on Office 365 after the election, have been refreshed and moved to Sharepoint, the council's preferred document sharing system.

3.4 There is a small budget available for external training and conference attendance, which is divided between the Executive and backbench members to ensure it is fairly allocated. Councillors attended a number of conferences, including The APSE Energy Summit - Tackling the Climate Emergency and the LGA Annual Conference. One of the Councillors completed the LGA Leadership Programme and another councillor completed the Agile Project Leadership Programme. A number of councillors attended ALPA Institute of Licensing Gambling training.

3.5 Information about free of charge and subsidised development opportunities, provided by London Councils and the Local Government Association, were regularly circulated to Members.

3.6 Members were also provided with specific advice on governance issues from time to time, including advice regarding declarations of interest and information governance.

3.7 **Financial Declarations**

3.8 All Members reviewed, confirmed and where necessary, updated their register of interests, including their financial declarations, in March 2020. The Members Register of Interests is available on the Council's website.

3.9 The Members interests, declarations of interest made at meetings, declarations regarding gifts and hospitality and the councillors' attendance record at committee meetings are all available on the Council's website.

3.10 **Complaints**

3.11 All complaints under the Members Code of Conduct are referred to the Monitoring Officer (the Director of Law and Governance). Following consideration of the complaint, the Monitoring Officer decides whether it is appropriate to seek an informal resolution. Where there is no informal resolution, the Monitoring Officer may:

- decide not to investigate further;
- decide that the matter requires investigation.
- decide to refer the decision as to whether or not there is to be an investigation to the Standards Committee.

3.12 No formal complaints have been received against Members during 2019-20 relating to breaches of the Members Code of Conduct, although some issues have been raised which have not reached that stage, as follows:

	Members involved	Complainant	Topic	Formal complaint	Outcome
1	1	An ex-member of staff	Conduct of a councillor	Y	An investigation is being carried out, which it is expected will conclude shortly.
2	1	Member of staff	Tweet by a councillor	N	The complainant chose not to proceed with a formal complaint.
3	2	Member of the public	Conduct of a consultation meeting	Y	An initial informal investigation showed that the complaint related to service provision and was not a member standards complaint.
4	1	Member of the public	Tweet by a councillor	N	The complainant chose not to proceed with a formal complaint.

4. Implications

4.1 **Financial Implications**
The Council spent £7,300 on training courses for councillors in the 2019/20 financial year.

4.2 **Legal Implications**
The Council has a duty to promote and maintain high standards of conduct by Members and Co-opted Members (section 27(1) Localism Act 2011). The Council has adopted a Code dealing with the conduct that is expected of Members and Co-opted Members when they are acting in that capacity (as required by section 27(2) Localism Act 2011).

4.3 **Resident Impact Assessment**
No resident impacts arise directly from this report.

Appendices: None.

Background papers: None.

Final Report Clearance

Signed by

25 August 2020

Acting Director of Law and Governance   Date

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ISLINGTON

Resources Directorate
Newington Barrow Way, London, N7 7EP

Brief from: Corporate Director Resources

Meeting of	Date	Agenda Item	Ward(s)
Audit Committee	29 September 2020		ALL

Redmond Review of Local Authority Financial Reporting and Audit

Overview

On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. Local authority accounts are complex and the Review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. This briefing note summarises the key findings and recommendations within the report, as well as implications for the Council.

Key Findings:

The review identified a number of key issues with local audit, including:

- An ineffective balance between price and quality with 40% of audits in 2018-19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff
- A lack of coordination and regulation of audit activity
- Outcomes not always being effectively considered and presented to the local authority and public
- The technical complexity of statutory accounts limiting public understanding and scrutiny

Recommendation

To note that, as a result of these findings, 23 recommendations were made, with the key ones outlined below. The implementation of some of these recommendations would require changes to primary legislation however, many could be implemented without.

External Audit Regulation and Oversight

- The creation of an Office of Local Audit Regulation to procure, manage and regulate external audits. Some of the existing regulatory responsibilities, which currently sit with other bodies, to transfer to the new body.
- Revisions to the current fee structure for external audits to ensure adequate resources are deployed.
- Additional skills training for those involved in local audits and the amendment of statute to allow audit firms with the requisite capacity, skills and experience to bid for local audit work.
- The deadline for publication of audited local authority accounts be considered in consultation with the NHS, with a view to extending the deadline from 31 July to 30 September.

Financial Reporting

- A simplified and standardised financial statement of service information and costs be made available to the public to allow comparison with the annual budget and council tax. This new statement would be prepared in addition to the statutory accounts and would be subject to audit.
- CIPFA/LASAAC to look again at the composition of the statutory accounts to see if improvements can be made to simplify their presentation and enhance their usefulness and understandability.

Governance

- The composition of audit committees be examined to ensure they have the required knowledge and expertise. Consideration should be given to the appointment of at least one suitably qualified, independent member to support elected representatives in scrutinising local authority finances.
- To demonstrate transparency and accountability, external audit would be required to submit an annual report to the first full council meeting after 30 September each year, irrespective of whether the financial accounts have been certified.
- A formal requirement for statutory officers (Chief Executive, Monitoring Officer and Section 151 Officer) to meet, at least annually, with the Key Audit Partner.

Financial Resilience and Sustainability

- The current framework for seeking assurance on financial sustainability is reviewed by MHCLG to help address the gap between stakeholder expectations and what the auditor is required to do.
- The sharing of key concerns relating to service and financial viability, between local auditors and inspectorates, prior to completion of the external auditor's report.
- In addition, an update to the NAO's Code of Audit Practice that will be applicable from 2020-21 will require auditors to provide a narrative statement on the arrangements an authority has in place to secure value for money.

Conclusions and implications for the Council

Recommendations will now be considered by relevant bodies. A number of recommendations require primary legislation to be in place, after which the timescale for implementation will be clearer. It is expected that a number of recommendations will be in place for the audit of the 2021-22 accounts, at least in part. For instance, it is proposed that for 2020-21 the new standardised financial statement of service information and costs is produced on a trial basis, with full implementation as an audited statement in 2021-22.

Assuming that the recommendations are implemented, key implications for the Council will include:

- A likely increase in audit fees; with evidence suggesting audit fees collectively are at least 25% lower than required to fulfil current local audit requirements effectively.
- The requirement for the auditor to present an annual report to Full Council.
- (Continuation of) the appointment of at least one suitably qualified independent member to Audit Committee.
- An additional requirement to produce a standardised statement of service information and costs.
- A revised timetable, with a change in the reporting deadline from 31 July to 30 September.

Some of the recommendations made by other reviews on audit reform, e.g. Kingman and Brydon reviews, may also be relevant to the future of local audit and legislation to implement these is pending.

Financial Implications
These are included in the main body of the report.

Legal Implications
The statutory framework within which local authority audits are conducted is set out in the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.   Both primary and secondary legislation would be required in order to implement the recommendations of the Redmond Review in relation to financial reporting and the audit regime.

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

Resident 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.

A Resident Impact Assessment has not been carried out in this instance, since this is a briefing paper and does not have direct policy implications.

Background papers:
https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

Signed by:		
	Corporate Director of Resources	Date 21 September 2020

Responsible Officer:
David Hodgkinson, Corporate Director of Resources and Section 151 Officer

Report Author:
Heather Salmon, Strategic Capital Manager

Legal Implications Author:
Peter Fehler, Acting Director of Law and Governance and Monitoring Officer

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